Government of Saskatchewan

2006 - 2007 Annual Report

Saskatchewan Liquor and Gaming Authority

Table of Contents

Letters of Transmittal 2

Introduction 3

Who We Are 4

The Provincial Beverage Alcohol Sector 5

The Provincial Gaming Sector 5

Our 2006-07 Annual Report

Results At A Glance 7

Summary Financial Results 8

2006-07 Performance Results 9

Goal 1 – Customer Service 9

Goal 2 – Public Policy 11

Goal 3 – Our People 20

Goal 4 – Internal Operations 25

Goal 5 – Financial 28

2006-07 Audited Financial Results 30

Appendices 48

Appendix A - SLGA Organizational Chart 48
Appendix B - Partners and Stakeholders 49
Appendix C - Volume of Sales 50
Appendix D - Per Capita Sales 51
Appendix E - Saskatchewan Liquor and Gaming Licensing Commission 52
Appendix F - SLGA Factsheet: 2006-07 Results at a Glance 53

Where to Obtain Additional Information 54

This annual report is also available online at **www.slga.gov.sk.ca**

Letters of Transmittal

Regina, Saskatchewan
July 2007

The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

Your Honour:

I am pleased to submit the Annual Report of the Saskatchewan Liquor and Gaming Authority for the period ending March 31, 2007. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act, 1997*.

Deb Higgins
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Honourable Deb Higgins
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Honourable Deb Higgins:

I have the honour of submitting the 2006-07 Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the fiscal year ending March 31, 2007.

SLGA published its 2006-07 Corporate Performance Plan last March as part of the release of the provincial budget documents. As part of SLGA's commitment to enhanced public reporting and accountability, this Annual Report provides an assessment of SLGA's performance directly against its Performance Plan for 2006-07 as well as previous years. Overall, I believe that SLGA's 2006-07 performance results demonstrate continued leadership and vision in the management of the province's liquor and gaming industries.

Barry C. Lacey, CA, CMA
President & CEO
Saskatchewan Liquor and Gaming Authority

Introduction

This is the fourth consecutive year that the Saskatchewan Liquor and Gaming Authority (SLGA) has published its year-end results directly against the goals and objectives published in its Performance Plan. SLGA published its 2006-07 Corporate Performance Plan (Balanced Scorecard) in March 2006 as part of the release of the provincial budget documents. This Annual Report contains detailed information on the key actions and performance measures identified in that Performance Plan. Detailed information on SLGA's 2006-07 Performance Plan, as well as last year's Annual Report, is available online at www.slga.gov.sk.ca.

The overall goals set out in SLGA's 2006-07 Performance Plan remained unchanged from 2005-06; however, the objectives in Goals 1 and 4 were merged to help clarify, simplify and refine SLGA's existing plan. SLGA merged the two former objectives under Goal 1 into a single objective speaking to customer service excellence, and merged the two former objectives under Goal 4 into a single objective that speaks to seeking continuous improvements in SLGA's internal operations.

SLGA has again provided information and analysis for specific performance measurement results in an effort to demonstrate the value of the measures, how they should be interpreted over time, and how these results contribute to longer-term outcomes that SLGA is seeking to achieve. SLGA remains committed to the principles of enhanced accountability for results and the ongoing implementation of the Government's Accountability Framework.

Who We Are

The Saskatchewan Liquor and Gaming Authority is a Treasury Board Crown Corporation responsible for the distribution, regulation, management and operation of liquor and gaming across the province. SLGA achieves this through socially responsible, fair and cost-effective services and programs delivered by employees at offices in Regina and Saskatoon, a liquor distribution centre in Regina and a network of 80 liquor stores in 64 communities throughout the province.

As of March 31, 2007, SLGA employed approximately 962 staff throughout the province, the majority of which work part-time. Approximately 90 per cent of employees are members of the Saskatchewan Government and General Employees' Union (SGEU) Local 6080.

SLGA operates under *The Alcohol and Gaming Regulation Act, 1997* and works in partnership with a broad range of stakeholders and clients, including: the SGEU; the Federation of Saskatchewan Indian Nations (FSIN); the Saskatchewan Indian Gaming Authority (SIGA); Indigenous Gaming Regulators (IGR); Western Canada Lottery Corporation (WCLC); the Canadian Restaurant and Foodservices Association (CRFA); the Saskatchewan Hotel and Hospitality Association (SHHA); the Saskatchewan Liquor Vendors Association (SLVA); liquor-permitted establishments; non-profit clubs; charity associations/individual charities; Pollard Banknote; the Saskatchewan Responsible Gaming Association (SRGA); the Canadian Vintners Association; the Responsible Gambling Council (RGC); the Canadian Centre on Substance Abuse (CCSA); the Brewers of Canada; and, Spirits Canada (see Appendix B for an overview of SLGA's stakeholders and partners).

SLGA has six major divisions:

- The Retail Operations Division is responsible for the purchasing, warehousing, distributing and retailing of beverage alcohol in Saskatchewan. The Division oversees Saskatchewan's liquor stores, franchises and a central distribution centre.
- The Regulatory Compliance Division is responsible for the licensing, inspection and monitoring of liquor and gaming activities in the province. The Division is also responsible for horse racing and provides a range of community information and education seminars.
- The Gaming Operations Division is responsible for the planning, implementation and management of the VLT program, breakopen vending machine program and the slot machines in First Nations casinos along with the implementation of the operational agreements relating to the province's First Nations casinos.
- The Corporate Services Division provides financial, administrative, procurement, information systems, property management and audit support services to the organization.
- The Human Relations Division provides organizational development, communications and human resource services to the organization.
- The Policy and Planning Division is responsible for corporate planning, performance measurement, performance reporting, policy development and analysis, privacy/Freedom of Information, research and evaluation, and legislative services for the organization. The Division also plays a central role in the ongoing implementation of the Gaming Framework Agreement.

Overview

The Provincial Beverage Alcohol Sector

Saskatchewan's model for beverage alcohol distribution combines a public model of liquor distribution with private franchises and off-sale outlets. SLGA operates 80 liquor stores in 64 communities throughout the province. In addition, SLGA grants 189 small businesses in rural Saskatchewan a franchise to sell beverage alcohol on its behalf. This partnership with provincial franchises serves a critical role in ensuring that all Saskatchewan residents have equitable and fair access to liquor products and services. In 2006-07, there were also 475 off-sale outlets across the province permitted to sell a full range of beverage alcohol products.

In 2006-07, SLGA listed 2,212 products, which includes general listings, specialty listings (with an emphasis on fine wine) and domestic and imported beer. General listings remained relatively stable at 1,103 (1,081 in 2005-06). The specialty listing base was 771 (789 in 2005-06). Domestic and imported beer listings increased slightly to 338 (323 in 2005-06). SLGA is also committed to ensuring customer needs are met by offering a special order service for customers who want products not currently listed by SLGA. SLGA continues to place emphasis on procuring limited allocation premium wines from around the world to meet the growing requests of Saskatchewan consumers.

SLGA's distribution centre, located in Regina, processed 15,052 orders in 2006-07 (up from 14,482 in 2005-06) at an average of 141 cases of product per order for stores and 25 cases per order for franchises. This represents an annual flow of approximately 1.47 million cases of beverage alcohol that are received, stored and ultimately shipped across the province.

SLGA also manages the administration of special occasion permits for the province. Special occasion permits are required for anyone serving alcohol at special events such as weddings, cabarets and fundraisers. There were 16,233 permits issued in 2006-07 compared to 17,104 in 2005-06 when provincial centennial celebrations increased activity in this area.

As a regulatory body for liquor-permitted premises, SLGA ensures that commercial permittees in the province are complying with the rules and regulations set out in *The Alcohol and Gaming Regulation Act, 1997*. SLGA also follows up on any complaints regarding permitted establishments. At March 31, 2007, there were 1,691 commercial permittees in Saskatchewan, slightly down from the 1,698 permits issued in 2005-06.

The Provincial Gaming Sector

Saskatchewan Liquor and Gaming Authority

SLGA fulfills a number of distinct roles in the provincial gaming sector. First, SLGA directly manages the majority of the province's electronic gaming machines, including the province's network of video lottery terminals (VLTs), and the slot machines at First Nations casinos. SLGA owns and operates all provincial VLTs. The number of VLTs in Saskatchewan remains capped at 4,000 machines. SLGA contracts with the Western Canada Lottery Corporation to operate and maintain the VLTs and pays a commission to liquor-permitted establishments that host the VLT machines. As of March 31, 2007, there were 3,929 VLTs in 669 sites, located in 312 communities across the province.

Second, SLGA plays an important role in regulating the operations of the province's seven existing casinos: Saskatoon's Emerald Casino, operated by Saskatoon Prairieland Park Corporation; four First Nations casinos operated by the Saskatchewan Indian Gaming Authority (SIGA); and, two casinos in Moose Jaw and Regina operated by the Saskatchewan Gaming Corporation (SGC). SLGA also reviews proposals for new casino developments and provides recommendations to government.

Third, SLGA licenses and regulates most other forms of gaming including bingo, raffles, breakopen tickets, Texas Hold'em poker, Monte Carlo events as well as the horse racing industry in the province. SLGA conducts this regulatory activity through a range of licensing, monitoring and auditing activities. Money raised through charitable gaming activities is retained by charitable organizations. In 2006-07, total charitable gaming proceeds from bingo, raffles, breakopen tickets, Texas Hold'em poker and Monte Carlo events were $24.7 million. In addition,

SLGA paid out approximately $5.0 million under the Charitable Gaming Grant Program that was introduced in 2006-07. The Province also provides grants to track operators to help maintain the horse racing industry. Total grants paid to the horse racing industry in 2006-07 were $1.5 million. Three tracks received support for horse racing: Saskatoon Prairieland Park Corporation (Marquis Downs), Big Valley Raceway in Craven and the Yorkton Exhibition Association.

Saskatchewan Indian Gaming Authority (SIGA)
First Nations casino gaming in Saskatchewan is conducted through an agreement between the Province and the Federation of Saskatchewan Indian Nations (FSIN). The FSIN created the Saskatchewan Indian Gaming Authority (SIGA) to operate:

- Gold Eagle Casino - opened February 1996 in North Battleford
- Northern Lights Casino - opened March 1996 in Prince Albert
- Bear Claw Casino - opened November 1996 on the White Bear First Nation
- Painted Hand Casino - opened December 1996 in Yorkton

Two additional SIGA casinos were approved in 2004-05 on the Whitecap Dakota First Nation and in Swift Current. These casinos will be operational in 2007-08 and 2008-09 respectively.

SIGA revenues are split, with 37.5 per cent of net profits provided to the provincial government's General Revenue Fund, 37.5 per cent provided to the First Nations Trust and 25 per cent directed to Community Development Corporations (CDCs). The First Nations Trust supports economic development, social development, justice, health, education, culture and other First Nations initiatives. The Trust is administered by a First Nations Board of Trustees. Saskatchewan First Nations and Métis Relations (FNMR) is responsible for providing funds to the Trust and for ensuring that the Trust meets the accountability requirements expected of it. CDCs fund economic development, social development, justice, education, recreation, culture, health and other related initiatives among First Nations and non-First Nations organizations in and around the communities where these casinos are located. CDCs are run by boards in each of these four communities.

Under the Gaming Framework Agreement (GFA) between the Province and the FSIN, payments are also made: to Indigenous Gaming Regulators ($1.8 million) to support its work in developing capacity to regulate charitable gaming on reserve; to the First Nations Addictions Rehabilitation Foundation ($1.5 million) for problem gambling services; and, to the FSIN ($250,000) to support its efforts to prepare proposals for the federal government regarding on-reserve gaming jurisdiction. These payments are made prior to the profit distribution described previously.

As of March 31, 2007, SIGA casinos employed 1,148 people, 81 per cent of whom are of Aboriginal heritage. In 2006-07, SIGA reported a net profit of $48.8 million, the highest net profit ever reported for SIGA, and a 21 per cent increase over 2005-06 ($40.2 million).

Saskatchewan Gaming Corporation (SGC)
Casinos Regina and Moose Jaw are operated by the Saskatchewan Gaming Corporation (SGC), a Treasury Board Crown Corporation. Casino Regina opened in January 1996; Casino Moose Jaw opened in September 2002. Revenues from SGC casinos are also split, with 50 per cent of revenues retained by the provincial government's General Revenue Fund, 25 per cent provided to the First Nations Trust and 25 per cent provided to the Community Initiatives Fund (CIF). The CIF distributes casino profits to exhibition associations and to community groups that provide programs and services for vulnerable children, youth and families. The fund is administered by Saskatchewan Culture, Youth and Recreation. SGC employs approximately 1,000 employees of which 47 per cent are of Aboriginal heritage.

Results At A Glance

Below is a summary of SLGA's key performance outcomes for the 2006-07 fiscal year. This summary highlights key achievements within each of SLGA's five strategic goals. More detailed information on each of these performance results, as well as information on additional results, is provided in the section "2006-07 Performance Results" and in SLGA's audited financial statements.

Goal 1: Customer Service Perspective: Meet the expectations of our customers by having the right products and services, delivered by friendly, courteous and knowledgeable staff.

- Over the past year, a portion of the slot machines in SIGA casinos were replaced to keep current with the gaming industry. In addition, pursuant to the GFA, SIGA was allocated an additional 125 machines that were installed in SIGA casinos in 2006-07.
- In consultation with industry representatives, SLGA rolled out two beverage alcohol category management pilot projects. These projects improved product layouts through targeted selection and improved product placement. The pilot projects are also designed to generate efficiencies respecting inventory handling, resulting in improved profits.

Goal 2: Public Policy Perspective: Develop and administer fair public policy, which monitors and regulates liquor and gaming activity, provides for a fair distribution of revenues among provincial stakeholders and promotes integrity and social responsibility in the industry.

- SLGA began licensing Texas Hold'em and Monte Carlo events in July 2006. In addition, on March 27, 2007, SLGA received legislative authority to issue grant payments to organizations that have conducted licensed charitable gaming since April 1, 2006. The grants are equal to 25 per cent of the net revenue generated by an organization through licensed charitable gaming activity.
- The Licensing Agreement between SLGA and Indigenous Gaming Regulators (IGR) was finalized in 2006-07. The government then assigned responsibility for licensing and regulating on-reserve charitable gaming to IGR. The Agreement and the assignment of responsibility were effective April 1, 2007.

Goal 3: Our People Perspective: Provide a positive and safe environment for our employees that values the differences in others and encourages continuous learning, mutual respect and self-responsibility.

- Collective bargaining began in early December 2006. An interest-based approach was used to conclude bargaining in mid-March with a tentative agreement reached before the March 31, 2007 expiration of the current collective agreement. This was a first for SLGA and reflects the positive relationship between the parties.
- SLGA implemented a new out-of-scope class plan, based on the plan implemented within Executive Government, for all out-of-scope employees effective September 1, 2006.
- Core competency development continued through 2006-07 with the completion of position profiles for 80 per cent of employees by the fiscal year end. SLGA also provided basic information about core competencies to all employees, posted competency profiles on the employee intranet, provided information sessions to managers and union officials and began using competency profiles for recruitment and staffing.

Goal 4: Internal Perspective: Continually improve our business processes through enhanced productivity, improved internal management systems and through the creativity of all employees.

- SLGA developed a Corporate Security Charter pertaining to the security of persons as well as physical and Information Technology (IT) assets.
- Work continued on the development of IT Disaster Recovery and Business Continuity Plans.

Goal 5: Financial Perspective: Be fiscally responsible and accountable in support of provincial financial objectives.

- SLGA's net income was $370.3 million for 2006-07. This is up $36.2 million from budget and is a result of higher than expected revenues at SIGA casinos, increased liquor sales due to a warm summer and strong economy in 2006-07, as well as administration cost savings across the organization.

Summary Financial Results

SLGA's 2006-07 financial plan builds on the strategic direction set out in SLGA's Performance Plan. Aligning strategic and financial planning is a key part of SLGA's annual planning and budget development process. SLGA's financial investments must demonstrate how expenditures help SLGA achieve the goals and objectives set out in its Performance Plan.

The primary indicator of SLGA's financial success is SLGA's overall net income. SLGA's net income consists primarily of provincial VLT revenue, SIGA net income and profits from the retail liquor sector. SLGA's net income is transferred annually to the province's General Revenue Fund (GRF). This annual transfer to the GRF represents a significant contribution to meeting a wide range of broader provincial economic and social objectives. SLGA has transferred almost $4 billion in net income to the GRF since 1994-95 not including the additional transfer of retained earnings in 2000-01. SLGA's net income transferred to the GRF has generally increased over time due to overall increased net income in all segments of SLGA's operations including VLTs, SIGA casinos and liquor operations.

SLGA's net income for 2006-07 was $370.3 million, up from its 2005-06 net income of $351.4 million, and significantly higher than SLGA's 2006-07 budgeted net income of $334.1 million. SLGA's net income increase was higher than budgeted primarily for two reasons. Liquor sales were higher than expected due to a warm summer and a strong economy. Second, SIGA's net income was higher than expected due to a conservative budget estimate and increased gaming activity at SIGA casinos. Increased SIGA revenues are attributed to refreshing some casino sites, adding new game themes and receiving an additional 125 slot machines during the year, pursuant to the Gaming Framework Agreement.

2006-07 Performance Results

This section of the Annual Report illustrates SLGA's progress in achieving its goals and objectives as outlined in SLGA's 2006-07 Performance Plan. The key actions originally published in SLGA's 2006-07 plan are listed below, followed by a report on progress. Actual results are included for all key actions and performance measures that were published in SLGA's 2006-07 Performance Plan. More detailed information on SLGA's 2006-07 performance measures, as well as SLGA's 2007-08 Performance Plan (published in March 2007) can be found online at www.slga.gov.sk.ca.

Goal 1: Customer Service
Meet the expectations of our customers by having the right products and services, delivered by friendly, courteous and knowledgeable staff.

Objective 1: Customer Service Excellence: Achieve and maintain a high level of customer satisfaction by providing excellent customer service within a contemporary infrastructure that balances customer expectations with fiscal responsibility.

As a customer-oriented business, SLGA's strategic plan has dedicated considerable resources to continually maintaining and improving customer service. Customer service excellence is ultimately one of the most important outcomes for SLGA. Customer satisfaction is an important indicator of the quality of SLGA's programs and services and how these services are perceived by the public and stakeholders.

SLGA has defined a range of key actions and initiatives that support this focus on improving customer service. Identifying what is most important to customers is a key component for SLGA in continuing to offer high quality programs and services. SLGA's retail customer satisfaction survey demonstrates very high customer satisfaction ratings for the overall quality of service provided by SLGA's liquor stores. In 2006-07, customer service initiatives focused on product knowledge training development for retail liquor staff, category management pilot programs in the retail store system and the addition and upgrade of slot machines in SIGA casinos.

The next customer satisfaction survey will take place in 2007-08.

2006-07 Key Results:

Deliver a retail liquor customer satisfaction survey and conduct follow-up detailed analysis. (2006-07 Planned Result)

- The retail liquor customer satisfaction survey instrument was finalized with Insightrix being the successful research firm that was awarded the contract. Actual delivery of the survey was delayed. The survey will take place in June 2007.

While SLGA will continue to provide customer service and product knowledge training to new employees as required, the focus for 2006-07 will be to explore the development of an advanced level of product knowledge training. (2006-07 Planned Result)

- Work is underway toward design and delivery of an advanced product knowledge program containing 11 specialized modules.

Continue to refine and implement a liquor store capital plan that provides improved customer service through increased product selection, improved parking and improved access to products and services. (2006-07 Planned Result)

- Renovations were made to the La Ronge store and a Request For Proposal to replace the existing Melfort store was issued in 2006-07.

Update and implement an annual marketing plan that identifies opportunities to enhance and promote retail liquor sales and services. (2006-07 Planned Result)

- SLGA's marketing strategy has focused on rolling out the beer category management pilot that was initially implemented in Yorkton to all Regina stores, and implementation of a Canadian whisky and vodka category management pilot program in Regina and Saskatoon stores. Both projects have been implemented in consultation with industry representatives. These initiatives are intended to improve overall profits through increased efficiencies respecting inventory handling and increased sales through the provision of more

targeted product selection and improved product placement.

SLGA will work with SIGA on an annual basis to review and evaluate the current slot machine product located in SIGA casinos. SLGA will work in consultation with SIGA and Western Canada Lottery Corporation (WCLC) to replace slot machines on a regular basis and implement a maintenance plan for the machines. (2006-07 Planned Result)

- SLGA, in conjunction with SIGA and WCLC, has worked towards improving processes to review, evaluate and replenish slot machines located in SIGA casinos. Over the past year, a portion of the slot machines in SIGA casinos were replaced to keep current with the gaming industry. In addition, SIGA was allocated an additional 125 machines in accordance with the 2002 Gaming Framework Agreement and 2002 Casino Operating Agreement. These machines were installed in SIGA casinos in 2006-07.

Implement a follow-up satisfaction survey to measure performance and obtain feedback about licensing services from customers in order to make improvements over time. SLGA delivered a survey in 2003-04 and intends to administer a follow-up survey in 2006-07. (2006-07 Planned Result)

- SLGA plans to administer the follow-up survey during 2007-08.

Develop and implement a consumer education program focused on the use of charitable gaming as a fundraising tool. (2006-07 Planned Result)

- Program development is underway and completion is targeted for 2007-08.

Performance Measurement Results:

Retail Customer Satisfaction
In 2004-05, SLGA administered a customer satisfaction survey pertaining to SLGA's retail liquor stores. This survey followed up on a similar survey conducted in 2002-03. Satisfaction surveys help SLGA develop strategies to improve customer satisfaction. The surveys were administered to a random sample of 1,500 Saskatchewan residents. The survey results are considered accurate to within plus or minus 2.5 per cent at a 95 per cent confidence level.

Actual Results:
SLGA administers this survey every two years and a follow-up survey was planned for 2006-07. Although the survey instrument was finalized prior to the end of 2006-07, the delivery of the survey was delayed to early 2007-08. Based on the most recent data from 2004-05, 91 per cent of survey respondents are satisfied with customer service at liquor stores, and 96 per cent of survey respondents said that the overall quality of service provided by liquor stores either met or exceeded their expectations.

Retail Customer Satisfaction	02-03 Survey	04-05 Survey
Satisfaction with customer service	92%	91%
Satisfaction with quality of service	97%	96%

Based on the statistically accepted margin of error, the results for 2004-05 are essentially equivalent to the results for 2002-03.

Goal 2: Public Policy
Develop and administer fair public policy, which monitors and regulates liquor and gaming activity, provides for a fair distribution of revenues among provincial stakeholders and promotes integrity and social responsibility in the industry.

Objective 1: Monitoring and Regulating: Promote integrity, responsibility and fairness in the liquor and gaming industry.

A key part of SLGA's role focuses on developing, administering and enforcing the laws and regulations pertaining to the province's liquor and gaming sectors. SLGA works in collaboration with law enforcement authorities, the Provincial Auditor's Office and other regulatory agencies in order to ensure greater effectiveness and efficiency in monitoring both liquor and gaming activities throughout the province. SLGA also conducts comprehensive site inspections and investigates complaints. In addition, SLGA plays an important role in ensuring the legislative and regulatory framework is able to address emerging challenges. All of these functions are designed to ensure the integrity of the liquor and gaming sectors in the province within a legal framework that is both fair and responsible.

In 2006-07, SLGA determined that SIGA had achieved compliance with the sustained progress benchmarks, which resulted in the allocation of 125 additional slot machines for SIGA casinos, pursuant to the Gaming Framework Agreement. Other key outcomes in 2006-07 were in respect to the implementation of initiatives intended to stabilize the charitable gaming sector in response to the Charitable Gaming Review.

2006-07 Key Results:

SLGA will complete a liquor regulatory review in 2006-07 that evaluates the liquor permitting and regulatory system. (2006-07 Planned Result)

- Following external consultations in early 2006, SLGA conducted more in-depth analysis on a number of key issues. This analysis included detailed inter-jurisdictional comparisons and further consultation with stakeholders early in 2007. Recommendations are currently being developed for consideration in early 2007-08.

SLGA will continue to work with SIGA to achieve progress on each of the sustained progress benchmarks. SLGA will undertake two audits of SIGA's progress in this regard in 2006-07 as per the requirements of the Casino Operating Agreement. In 2006-07, SLGA will also continue to review SIGA's annual strategic and business plans and support SIGA in aligning their plans with their financial and operational plans, as well as the objectives set forth in SLGA's performance plan. (2006-07 Planned Result)

- SLGA continues to work with SIGA to develop and improve upon their organizational planning and accountability, and to ensure policies are implemented and amendments are made as necessary. During 2006-07, SLGA completed two audits on SIGA sustained progress. SLGA determined that as of October 1, 2005, SIGA achieved compliance with the sustained progress benchmarks, and compliance continued through September 30, 2006. SLGA has not yet completed its audit for the time period October 1, 2006 to March 31, 2007. In 2006-07, SLGA reviewed and approved SIGA's annual strategic and business plans.

- SLGA continues to work closely with SIGA to ensure that SIGA maintains compliance with the sustained progress benchmarks and the Provincial Auditor's recommendations.

SLGA will review and follow up on any reportable items identified by the Provincial Auditor, the Regulatory Compliance Division and the Audit Services Branch within SLGA. SLGA will continue to work with SIGA and Western Canada Lottery Corporation (WCLC) to ensure reportable items are followed up and appropriately addressed. (2006-07 Planned Result)

- SLGA continues to follow-up and address any items identified by the Provincial Auditor, SLGA's Regulatory Compliance Division or SLGA's internal audit branch including matters impacting SIGA and WCLC.

SLGA will continue to implement its workplan to bring SLGA into compliance with the province's Privacy Framework. Priorities for 2006-07 include the implementation of a data classification system. (2006-07 Planned Result)

- The implementation of a data classification system has been delayed pending further information from Saskatchewan Justice and the Information Technology Office. The focus for 2006-07 has been on implementing changes to information collection.

SLGA will continue to modernize and update the regulatory framework for liquor and gaming activity in the province. (2006-07 Planned Result)

- New regulations were put in place to cover the new forms of licensed charitable gaming (Texas Hold'em poker and Monte Carlo events). The casino regulatory environment was updated, including changes to the Saskatchewan Gaming Corporation regulations and the SIGA Operating Policies and Directives under the Casino Operating Agreement. Legislative changes to authorize payments under the Charitable Gaming Grant Program were approved prior to the end of 2006-07.

Develop and implement a program within liquor permitted establishments to monitor the integrity of the VLT program through random computer checks, increased investigations and sanctions for infractions. (2006-07 Planned Result)

- Program has been developed with implementation to occur in 2007-08.

SLGA will continue to register gaming employees and suppliers as a key part of its overall compliance activity. Part of this activity includes the ongoing refinement and evaluation of SLGA's new online registration system. (2006-07 Planned Result)

- The online system is fully operational. New registration activity in 2006-07 was related to the registration of new suppliers for the Dakota Dunes Casino. In 2006-07, SLGA registered a total of 2,669 employees and 92 suppliers.

SLGA will continue to provide a range of formal consultations and educational workshops to a variety of stakeholders and clients about regulatory compliance standards. (2006-07 Planned Result)

- SLGA conducted 162 formal workshops/meetings/consultations during 2006-07. An additional 9,310 contacts were made regarding regulatory compliance standards.

Performance Measurement Results:

Ensuring a high degree of compliance with established laws and regulations is a critical outcome for SLGA. Below are a series of measures that demonstrate how SLGA monitors compliance in the liquor and gaming sectors. Each measure contributes to ensuring the integrity of SLGA's regulatory compliance framework. The first two measures are aggregate measures that depict the outcome of SLGA's retail liquor and charitable gaming compliance activity by illustrating what percentage of inspections and investigations do not result in a sanction. Overall, the measures demonstrate that compliance rates are very high. Measures surrounding the number of inspections, investigations, sanctions and audits reflect the scope of activity conducted in various areas of regulatory compliance. SLGA also conducts a number of educational workshops to promote awareness about the laws and regulations governing the liquor and gaming industries in Saskatchewan.

Compliance Rates for Liquor Activity

Actual Results:
In 2006-07, the overall compliance rate for beverage alcohol remained fairly constant at 96 per cent. The compliance rate would be higher if only those sanctions that resulted in a fine or a suspension were counted as opposed to letters of warning.

Compliance Rates for Charitable Gaming

Actual Results:
In 2006-07, the compliance rate for charitable gaming remained constant at 90 per cent.

Number of Inspections/Contacts

Actual Results:
In 2006-07, SLGA conducted 4,264 inspections of liquor and gaming activity. This is a decrease over 2005-06 when SLGA conducted 4,695 inspections in the liquor and gaming industry. The number of inspections is generally dependent on the focus of the inspection cycle in a given year.

Number of Investigations/Contacts

Actual Results:
In 2006-07, SLGA conducted 2,543 liquor and gaming investigations. This is comparable to the 2,454 investigations conducted in 2005-06.

Number of Audits/Reviews

Actual Results:
In 2006-07, SLGA conducted 60 audits and reviews of liquor stores, casinos, charitable gaming organizations and head office. The total number of audits completed is lower than 2005-06 as a result of staff vacancies and internal audit's continued implementation of a risk-based planning approach where the focus of its audits is on the significant risks to the organization. The audit projects resulting from a risk-based approach are generally larger in scope and complexity. While the number of audits will decline slightly from historical levels, SLGA expects the audits to add greater overall value to the organization.

Total Number of Sanctions

Actual Results:
In 2006-07, the total number of sanctions increased slightly to 208 (196 in 2005-06). As of March 31, 2007, SLGA had 89 liquor-related sanctions; 89 charitable gaming-related sanctions; and 30 horse racing sanctions.

SLGA Historical Compliance Results: 2003-04 to 2006-07

Performance Measure	03-04 Result	04-05 Result	05-06 Result	06-07 Result
Compliance rates for liquor activity	95%	97%	97%	96%
Compliance rates for charitable gaming[1]	-	90%	90%	90%
Number of inspections	4,300	4,377	4,695	4,264
Number of investigations	3,093	2,650	2,454	2,543
Number of audits/reviews	145	132	92	60
Number of sanctions	180	196	196	208

A Note on Year-to-Year Variances in Compliance Results
Some of SLGA's compliance outcomes fluctuate from year to year depending on the scope and complexity of project-based inspections and investigations. As compliance issues become more complex, and as reviews become broader in scope, they take more time to complete. The decline in the number of inspections in 2006-07 does not mean less compliance activity has taken place, but rather more complex reviews have been undertaken. An increase in the number of investigations, implementation of the Texas Hold'em/Monte Carlo events and a vacant Inspector position for most of the year attributed to the decline in the number of inspections. The increase in the number of investigations can be attributed to additional work related to conducting suitability investigations for gaming employees, gaming suppliers and reported issues of non-compliance.

[1] New measure; was not reported for 2003-04.

Objective 2: Revenue Distribution: Distribute liquor and gaming revenue among provincial stakeholders in support of broader provincial objectives.

SLGA plays a significant role in both revenue generation for the provincial government as well as in redistributing liquor and gaming revenues among provincial stakeholders in support of the achievement of broader provincial objectives. The policy and legislative framework governing the province's liquor and gaming sectors also provides for indirect redistribution in that it allows stakeholders the opportunity to generate their own revenue from these activities. This objective speaks to SLGA's role in setting out an effective and fair policy framework, as well as the corporation's role in redistributing revenue among charities, businesses and partners.

In 2006-07, SLGA transferred $370.1 million to the provincial government's General Revenue Fund (GRF). VLT site contractor revenues increased to $36.6 million relative to the $36.4 million generated in 2005-06 consistent with the slight increase in net VLT revenue. Franchise commissions increased to $5.2 million over $4.9 million in 2005-06. Charitable gaming proceeds were $24.7 million in 2006-07, down $1.9 million from the $26.6 million retained by charities in 2005-06. In addition, charities received approximately $5.0 million in grant payments under the Charitable Gaming Grant program which was implemented to help stabilize revenue to this sector.

2006-07 Key Results:

Continue to implement the provisions of the Gaming Framework Agreement (GFA) and work towards the fulfillment of its obligations, including work on: the Casino Operating Agreement; the Indigenous Gaming Regulators (IGR) - SLGA Regulatory Agreement; operationalizing the arrangements for two new SIGA casinos in Swift Current and on the Whitecap Dakota First Nation; the joint FSIN/provincial committee respecting First Nations jurisdiction over gaming on reserve land; and, participating on a Community Development Corporation (CDC) Standing Committee. (2006-07 Planned Result)

- In 2006-07, continued progress was made in developing a draft proposal respecting jurisdiction over gaming on-reserve by First Nations. Negotiations pertaining to the five-year review of the GFA also began during the latter part of 2006-07. A key accomplishment in 2006-07 was finalizing the Licensing Agreement between SLGA and IGR. The Agreement allowed for the transfer of responsibility of licensing and regulating on-reserve charitable gaming to IGR. The Agreement is effective April 1, 2007. SLGA was also represented at the two CDC Standing Committee meetings that occurred, and actively involved in developing the terms of reference for the Committee.

Implement SLGA's corporate research agenda, which includes policy and program evaluation, background research and post-implementation evaluation. In 2006-07, analysis on the impact of the smoking ban on SLGA and its stakeholders will continue to be a focus. The research agenda will also include monitoring the impact of proposed changes following policy reviews in charitable gaming and liquor licensing. (2006-07 Planned Result)

- SLGA's research agenda has focused on: continued monitoring of the performance of the hospitality sector following implementation of the province-wide smoking ban; determining impact of federal excise tax and GST changes; and, continued cost analysis in the beverage alcohol sale and distribution system. Delays in the implementation of changes to the charitable gaming environment and finalization of the liquor regulatory review will result in the related analysis being deferred until 2007-08.

Based on the 2004-05 charitable gaming review, SLGA has developed recommendations regarding potential strategies to sustain the charitable gaming industry and SLGA's role in supporting the charitable gaming sector. The primary focus in 2006-07 will be on implementing approved recommendations flowing from the review. (2006-07 Planned Result)

- SLGA began licensing Texas Hold'em and Monte Carlo events in July 2006. At year end, applications for 251 Texas Hold'em and five Monte Carlo events had been received. In

addition, on March 27, 2007, SLGA received legislative authority to issue grant payments equal to 25 per cent of net charitable gaming revenue to organizations that have conducted licensed charitable gaming since April 1, 2006.

Performance Measurement Results:

Revenue Distribution: VLT Site Commission Revenue

The VLT site commission revenue for the year ending March 31, 2007 is $36.6 million.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
VLT site commission revenue	$35.6 million	$41.2 million	$40.1 million	$36.4 million	$36.6 million

SLGA pays a 15 per cent VLT site commission to liquor permitted establishments that host VLTs. For 2006-07, the recovery from the provincial smoking ban on VLT sales was less than anticipated. During the period of 2001-02 to 2003-04, VLT site commission revenue increased due to the replacement of old machines and the addition of 400 VLTs in 2003-04. However, the decrease in 2004-05 to 2006-07 relative to 2003-04 is due primarily to the impact of *The Tobacco Control Amendment Act, 2004* as well as municipal smoking bans implemented in advance of the legislation in Saskatoon, Yorkton, Moose Jaw and Humboldt. Despite the decrease, revenues continue above 2002-03 levels.

Revenue Distribution: Off-Sale Permittee Beer Discount

The off-sale permittee beer discount for the year ending March 31, 2007 is $8.6 million.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
Off-sale permittee beer discount	$9.8 million	$9.9 million	$8.2 million	$8.3 million	$8.6 million

In 2006-07, the off-sale commercial permittee discount continued to increase from 2005-06, however it has still not rebounded to 2003-04 levels. Factors that have likely influenced these purchase levels are: the substitution effect toward the purchases of spirits from off-sale outlets since they became available for sale late in 2003; an aging demographic; continued rural depopulation; and, changing consumer preferences.

Revenue Distribution: Franchise Commission

The franchise commission for the year ending March 31, 2007 is $5.2 million.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
Franchise commission	$3.8 million	$4.7 million	$4.8 million	$4.9 million	$5.2 million

For 2006-07, franchise sales continued to increase resulting in total franchisee commissions being slightly higher than the previous year. SLGA revised the commission structure for wine, spirits and refreshments in 2002-03 from 11.3 per cent to 15.3 per cent which accounts for the increase in 2003-04.

Revenue Distribution: SLGA Net Income Transferred to the General Revenue Fund

SLGA's transfer to the GRF for the year ending March 31, 2007 is $370.1 million.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
SLGA net income transfer to the GRF	$328.7 million	$360.8 million	$361.0 million	$351.7 million	$370.1 million

In 2006-07, SLGA transferred $370.1 million to the GRF. The increased transfer is primarily attributed to increased liquor sales, administration cost savings across the organization and increased net income from the SIGA casinos.

Revenue Distribution: Charitable Gaming Proceeds

Total charitable gaming proceeds for 2006-07 were $24.7 million.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
Charitable gaming proceeds	$37.0 million	$34.4 million	$30.3 million	$26.6 million	$24.7 million

The 2006-07 result represents a $1.9 million decline from 2005-06 and a $12.3 million decline from 2002-03. Charitable gaming proceeds have continued to decrease due to the ongoing decline in popularity of bingo and breakopen tickets, and due to the implementation of the municipal and provincial smoking bans. In 2006-07, approximately $5.0 million in grant payments were made to help stabilize revenue to this sector.

Revenue Distribution: Revenue Transferred to the First Nations Addiction Rehabilitation Foundation (FNARF)

FNARF receives $1.5 million in funding annually through the Gaming Framework Agreement to support problem gambling prevention and treatment services.

Revenue Distribution: VLT Revenue Transferred to the General Revenue Fund (GRF)

In 2006-07, $175.0 million in VLT revenue was transferred to the GRF as part of SLGA's net income.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
VLT Revenue Transfer to the GRF	$178.0 million	$224.5 million	$194.0 million	$173.4 million	$175.0 million

During the period of 2002-03 to 2003-04, VLT revenue increased due to the replacement of old machines and the increase of 400 VLTs. The decrease in 2004-05 to 2006-07 is due primarily to the impact of *The Tobacco Control Amendment Act, 2004*. The revenue recovery from the decline was expected to occur at five per cent per year for three years; however, the rebound in 2006-07 was less than anticipated.

Revenue Distribution: SIGA Net Income Transferred to the General Revenue Fund

SIGA's net income for 2006-07 was $48.8 million, which was transferred to the GRF as part of SLGA's net income. The GRF retains 37.5 per cent as per the Gaming Framework Agreement.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
SIGA Net Income Transfer to the GRF	$29.4 million	$33.2 million	$34.0 million	$40.2 million	$48.8 million

SIGA's net income continues to increase since 2002-03. SIGA has refreshed some casino sites, added new game themes and an additional 125 slot machines during the year which contributed to the increased revenue at SIGA casinos.

Objective 3: Fair Access: Support fair access to liquor and gaming products and services.

Saskatchewan's geographically dispersed population makes achieving this objective a key principle in the province's public delivery model from not only a consumer's perspective but also from a business perspective. The policy framework not only allows for access to these goods and services in rural and remote areas by consumers, but it also provides businesses, charities and First Nations with the opportunity to benefit from these activities. In the retail liquor distribution sector, this objective is dependent on SLGA's partnership with the province's network of private franchises and off-sale outlets, and access to gaming activities depends on SLGA's partnership with VLT site contractors, the province's charitable gaming network and SIGA casinos. In 2006-07, SLGA maintained existing access to the province's network of liquor outlets and VLT sites.

2006-07 Key Results:

SLGA will monitor the distribution of VLTs in the province and as VLTs become available, SLGA will distribute them in accordance with its policy. (2006-07 Planned Result)

- Throughout the year, SLGA monitors the VLT distribution across the province. As machines become available, SLGA distributes the machines to new and existing sites in accordance with the Distribution Policy. SLGA monitors the effectiveness of the policy and makes revisions as necessary.

Performance Measurement Results:

Retail Liquor Outlets Per Capita

This measure depicts the ratio of liquor outlets per capita using provincial population data for those age 19 and older. The measure serves as an indicator for tracking fair access to liquor products and services. The measure is calculated by dividing the 19 and older provincial population cohort by the total number of retail outlets, including the number of SLGA liquor stores, the number of franchises and the number of off-sale outlets.

Actual Results:

In 2006-07, Saskatchewan had one liquor outlet for every 987 residents age 19 and older, compared to one outlet for every 1,001 residents in 2005-06. The 2006-07 result maintains historical levels and is calculated based on a total of 744 outlets (80 SLGA stores + 475 off-sale outlets + 189 franchises) and a provincial population for those age 19 and older of 734,359 (Statistics Canada, Annual Population Estimates by Age and Sex, July 2006).

Year	Provincial Population 19+[2]	Total Number of Outlets	Outlets Per Capita 19+
2003	730,401	755	1:967
2004	734,595	750	1:979
2005	734,798	734	1:1,001
2006	734,359	744	1:987

Number of VLTs, Number of Sites and Number of Communities with VLTs

This measure tracks the total number of VLTs in operation, the number of sites in which VLTs are operational and the number of communities with VLTs. The measure serves as a good indicator for tracking fair access to VLTs.

Actual Results:

As of March 31, 2007, there were 3,929 VLTs in 669 sites, located in 312 communities in Saskatchewan. SLGA will continue to work within the provincial cap of 4,000 VLTs, while balancing social and fiscal responsibilities.

Number of VLTs, Number of Sites and Number of Communities with VLTs

Year	Number of VLTs	Number of sites	Number of Communities with VLTs
2000-01	3,561	643	321
2001-02	3,536	682	332
2002-03	3,760	691	334
2003-04	3,995	691	326
2004-05	3,971	697	324
2005-06	3,978	678	318
2006-07	3,929	669	312

In 2002-03, the cap on the number of VLTs in the province was increased from 3,600 to 4,000. SLGA continues to operate within this cap of 4,000 VLTs. The number of sites and the number of communities with VLTs has been maintained over time with minor fluctuations over the past five years.

Objective 4: Social Responsibility: Promote social responsibility in the use of liquor and gaming products.

This objective is intended to reflect the key partnership role SLGA plays in promoting the socially responsible use of liquor and gaming products in collaboration with agencies like Saskatchewan Health, Saskatchewan Government Insurance, the Canadian Mental Health Association, Saskatchewan Responsible Gaming Association and the Saskatchewan Prevention Institute. Social responsibility forms a part of SLGA's mandate and is an important part of SLGA's strategic direction. During 2006-07, SLGA maintained its existing program funding in collaboration with other agencies and continued work on developing a comprehensive social responsibility strategy.

2006-07 Key Results:

Evaluate SLGA's ongoing role in advancing the socially responsible use of liquor and gaming products and services. In 2006-07, this work will include: continuing its work with the Department of Health and other agencies to review the structure of existing program funding; evaluating the

[2] The population figures are provided by Statistics Canada, annual population estimates by age. Population figures from Statistics Canada are frequently revised as it receives more information. Population data for 2003 through 2005 has been restated based on these revisions. SLGA has, and will continue to, restate the population data as it is updated by Statistics Canada.

success of these programs in addressing responsible use of liquor and gaming products; and, developing program proposals directed at the responsible use of alcohol and gaming products. (2006-07 Planned Result)

- SLGA continues to fund liquor and gaming social responsibility initiatives and liaise regularly with Saskatchewan Health regarding ongoing programming and its evaluation. In 2006-07, SLGA reviewed its processes around preventing the sale and distribution of beverage alcohol to minors and will be implementing new guidelines and training for retail store staff in 2007-08. In addition, SLGA has partnered with other jurisdictions to study the characteristics and success of self-exclusion bans in different gaming environments.

In response to the recommendations listed in the Addley Report, Healthy Choices in a Healthy Community, SLGA will partner with the new Alcohol and Drug Prevention and Education Directorate in an effort to de-normalize current attitudes about alcohol abuse and reduce the opportunity for abuse. Specific recommendations not yet addressed include: reviewing the commercial permittee framework to minimize opportunities for unaccompanied minors to be present in venues where alcohol consumption is a primary or substantial activity; reviewing and recommending legislative/regulatory/policy changes to strengthen the sanction framework for providing alcohol to minors; reviewing the sanction framework for providing alcohol to those who are already intoxicated; and, ensuring that prevention and awareness programming addresses alcohol use and abuse and targets populations at high risk. (2006-07 Planned Result)

- This work continues as part of the liquor regulatory review identified earlier in Goal 2, Objective 1.

SLGA will contract with an independent researcher to consult with a number of national and international gaming experts for their views on the effects of reducing the number of electronic gaming machines or other adjustments to electronic gaming machines in addressing problem gambling and promoting responsible gambling. (2006-07 Planned Result)

- SLGA commissioned the Responsible Gaming Council (RGC) to conduct a review that summarizes the current state of knowledge in key areas surrounding electronic gaming machines and problem gambling. SLGA evaluated the results of the review in light of Saskatchewan's current gaming environment and determined that many of the initiatives that were identified as favourable with respect to the minimization of the instances of problem gambling are already in place in Saskatchewan. In addition to existing policies regarding the placement of Automated Teller Machines, limits on the amount of money that can be preloaded into a VLT and maximum bill denominations, SLGA will implement mandatory responsible gaming training for VLT site contractors, will cap the number of VLTs and casino sites at current levels and ensure that electronic fund transfer technology will not be implemented in slot machines and VLTs in Saskatchewan.

Work with, and financially support, an inter-jurisdictional research project aimed at developing a reliable methodology to study the long-term socio-economic impact of gaming. (2006-07 Planned Result)

- A draft framework document was submitted to the inter-jurisdictional oversight committee and is currently being reviewed by an international expert panel with expertise in epidemiology, economic analysis, problem gambling intervention, public health and criminology. Release of the framework for use by key researchers is anticipated in 2007-08.

Work with Saskatchewan Health within the overall provincial program for problem gambling and provide funding for education, prevention and treatment initiatives. (2006-07 Planned Result)

- In 2006-07, SLGA continued to fund the provincial problem gambling Help-Line. In addition to the regular meetings held between Health and SLGA, a broader committee with representation from SLGA, Saskatchewan Gaming Corporation, Health, and Culture, Youth and Recreation has been established to review and recommend responsible gaming and problem gambling initiatives. The Committee will hold its first meeting in 2007-08.

SLGA will continue to work with the Western Canada Lottery Corporation (WCLC) to provide VLT site contractor training which encourages the responsible use of gaming machines and provides training on the signs of problem gambling. (2006-07 Planned Result)

- WCLC provides training to new site contractors when they are approved to operate VLTs in the province. The training consists of explaining the social responsibility features on the VLT machines and providing on-site social responsibility material, including the Responsible Gaming Study Guide developed by the Saskatchewan Responsible Gaming Association. Furthermore, SLGA will review its existing responsible gaming training program prior to implementing mandatory training for all VLT site contractors as announced in response to the previously mentioned review of electronic gaming machines by RGC.

Performance Measurement Results:

Under Development

As SLGA continues to review and assess its role in promoting social responsibility in the liquor and gaming industries, the organization will work toward developing outcome measures that help evaluate how well it is doing in meeting this objective. However, selecting measures that demonstrate the effectiveness of social responsibility initiatives is complex for a variety of reasons. For example, SLGA works in partnership with a broad range of agencies to achieve social responsibility outcomes, and as such, SLGA shares responsibility for these results with a number of other agencies. As well, methodologically it is difficult to link specific programs or initiatives directly to broad societal outcomes that can also be influenced by many external factors and which also tend to shift slowly on a year-to-year basis. In this context, SLGA will continue to conduct research regarding the measurement of individual social responsibility programs with respect to their ability to affect human behaviour and influence societal outcomes.

Goal 3: Our People
Provide a positive and safe environment for our employees that values the differences in others and encourages continuous learning, mutual respect and self-responsibility.

Objective 1: Employee Health, Safety and Satisfaction: Create a safe, healthy and positive workplace for our employees.

SLGA is a significant employer in the province, with approximately 962 full-time, part-time and casual staff in 64 communities as of March 31, 2007. As a provider of services, SLGA's staff are critical to ensuring the organization's success in meeting customer expectations and being successful as a business. SLGA is committed to its vision of being an employer of choice and to living up to its guiding principle of mutual respect. This objective reflects SLGA's commitment to ensuring a positive, healthy and safe workplace for its employees. SLGA believes that the work environment is a significant determinant of employee success and productivity.

2006-07 Key Results:

SLGA expects to complete the review of its internal policies for No Violence and No Harassment in collaboration with SGEU in 2005-06 and expects to pilot this training program at year-end. In 2006-07, SLGA will begin a formal roll-out of the training to all staff. (2006-07 Planned Result)

- SLGA is reviewing its draft updated policies against recent proposed Occupational Health & Safety legislative changes to the definition of harassment. Upon completion of the review, the updated policies will be brought forward for approval.

SLGA delivered a comprehensive employee satisfaction survey in 2005-06 and is now in the process of evaluating and communicating the results of the survey. In 2006-07, the focus will be on developing and implementing an action plan to follow-up on key results. SLGA intends to conduct a follow-up survey in 2007-08. (2006-07 Planned Result)

- SLGA considered and approved recommendations brought forward by an employee committee. Implementation of the recommendations is scheduled to begin during the 2007-08 fiscal year.

SLGA will review the benefit programs delivered to its employees. In 2006-07, SLGA will be positioned to proceed with the implementation of an evaluation of the Employee Family Assistance Program, the Health Plan, Extended Dental Plan and the performance of the Occupational Health and Safety (OH&S) Committees. (2006-07 Planned Result)

- Evaluation of the Employee Family Assistance Program (EFAP) took place through a program satisfaction survey. All employees eligible to access EFAP received surveys and the 34 per cent who responded provided positive feedback and identified some areas for improvement. SLGA's EFAP Committee followed up with the service provider regarding concerns raised and in 2007-08 will focus its effort on developing a strategy to better promote the program as awareness was a primary concern raised in the survey. Reprioritization delayed evaluations of the Health Plan, Extended Dental Plan and OH&S Committees.

SLGA will continue to support positive labour relations by collaborating directly with elected and appointed union representatives and supporting an interest-based approach to collective bargaining, resolving grievances and dispute resolution. SLGA will also continue to provide learning and educational opportunities by supporting union shop steward training. (2006-07 Planned Result)

- Collective bargaining began in early December 2006 with both bargaining teams participating in joint training to enhance their knowledge and skills with respect to interest-based bargaining. An interest-based approach was used to conclude bargaining in mid-March with a tentative agreement reached before the March 31, 2007 expiration of the current collective agreement. This was a first for SLGA and reflects the positive relationship between the parties.

In 2005-06, SLGA began the development of a renewed out-of-scope classification plan for SLGA. The new plan will apply to management and

professional staff and to the management support group and will be aligned with the revised out-of-scope class plan recently implemented in executive government departments. The implementation of the new plan will be completed in 2006-07. (2006-07 Planned Result)

- SLGA received Cabinet approval for the implementation of a new out-of-scope class plan for all employees effective September 1, 2006.

Performance Measurement Results:

Number of Employees Who Have Taken Harassment and Violence in the Workplace Awareness Training Each Year
This performance measure is intended to reflect the extent to which employees have taken training designed to eliminate harassment and violence in the workplace.

Actual Results:
Training will begin during the 2007-08 fiscal year at a planned rate of one-third of all employees to receive awareness training during each of the 2007-08, 2008-09 and 2009-10 fiscal years.

Objective 2: Employee Performance and Skill Development: Develop the capacity and skills of our employees by offering opportunities for learning and growth.

Developing the capacity of SLGA's employees is an important component of SLGA's renewed approach to performance management and accountability. This objective envisions the development and implementation of a number of initiatives designed to develop employees' skills and performance. These initiatives are important components of ensuring that the organization has the capacity to meet other strategic outcomes, including enhancing customer service and strengthening overall productivity. As well, this objective is tied to ensuring SLGA can address longer-term human resource challenges like retention, career planning and succession planning. In 2006-07, SLGA continued to: provide leadership development training opportunities; implement a variety of succession planning initiatives; and, work towards the implementation of a new performance planning system with the completion of core competency profiles for 80 per cent of employees.

2006-07 Key Results:

Continue to train employees in leadership skills by offering different levels of leadership courses as well as customized modules on specific leadership issues. This training is intended to provide employees with enhanced leadership skills and a stronger understanding of concepts like self-responsibility, accountability and self-evaluation. (2006-07 Planned Result)

- Leadership training continued with the completion of a fourth Lead Management Development Program and the delivery of an Introduction to Leadership workshop using internal facilitation resources. Development of Leadership-based training modules geared specifically toward current and future managers also began in 2006-07.

SLGA began development of a new performance planning process in 2004-05 and determined that core competencies would be a key component. Process development was delayed to allow for core competency implementation for a critical majority of positions. New process is targeted for finalization and initial implementation by the end of 2006-07. (2006-07 Planned Result)

- The core competency development process continues with the completion of position profiles for 80 per cent of employees by the fiscal year end. Completion of position profiles will continue in 2007-08 with the development of a new performance planning process targeted for the end of 2007-08.

SLGA will continue development of its succession planning strategies through 2006-07. This includes implementation of a number of specific initiatives including: a revitalized performance management system; developing core competencies for all positions; continuing initiatives to diversify the workforce through SLGA's Employment Equity and Aboriginal Partnership initiatives; and, continuing the delivery of a range of training programs. (2006-07 Planned Result)

- Succession planning activity continued through such initiatives as ongoing core competency development, implementation of a new out-of-scope classification plan, delivery of a range of training programs and ongoing initiatives to diversify SLGA's workforce. Re-development of

SLGA's performance management system will proceed in 2007-08 once additional core competency profiles have been finalized.

In 2006-07, SLGA will undertake development of a comprehensive maintenance strategy for information technology (IT) training to ensure that SLGA has the training capacity required to meet the needs of SLGA's Business Technology Plan. (2006-07 Planned Result)

- No major system or software upgrades occurred in 2006-07 delaying the need for a comprehensive maintenance strategy for IT training. Development of a comprehensive maintenance strategy will begin during 2007-08 to ensure that SLGA maintains an effective IT skill base that is positioned to keep pace with technological changes over time.

SLGA delivers a broad range of training programs to its employees, including: Aboriginal Cultural Awareness; Leadership Development (delivered as three separate programs); Product Knowledge and Customer Service Training; and a variety of skill specific courses. In 2006-07, SLGA will continue to evaluate how effective these programs are at meeting specific outcomes, while recognizing that measuring broad-based behavioural outcomes is challenging. (2006-07 Planned Result)

- SLGA continued to solicit and review participant feedback from its training programs during 2006-07 as a measure of the effectiveness of specific initiatives.

Performance Measurement Results:

Percentage of Employees and Managers Using the New Performance Planning Process
This measure has been deferred until the redesign of the performance management process is completed following the implementation of core competency profiles.

Objective 3: Representative Workforce: Develop a workforce that is representative of the population.

This objective reflects SLGA's commitment to having a workforce that represents the working age population of Saskatchewan at all levels of the organization. The objective is a critical component of SLGA's Performance Plan and is also a key outcome envisioned by SLGA's Employment Equity Plan approved by the Saskatchewan Human Rights Commission in 2003. SLGA maintained relatively static employment rates for two of the four equity groups in 2006-07, and experienced a one per cent decline in the employment rate of persons with disabilities. SLGA expects that equity group employment outcomes will improve as other corporate initiatives identified under this objective are fully implemented.

2006-07 Key Results:

Continue to work towards becoming a more diverse and representative workplace by preparing the organization to hire and retain employees from the four designated groups. In 2006-07, SLGA will focus on several initiatives:

- → Continuing to review, refine and implement the Aboriginal Partnership Agreement (APA);
- → Continuing to implement the Corporate Employment Equity Plan including focusing on recruitment and retention strategies and job classification and designation;
- → Conducting a comprehensive human relations system review to enhance the fairness of SLGA's policies, procedures and practices; and
- → Continuing to deliver cultural awareness and diversity training to all SLGA employees. (2006-07 Planned Result)

- The Human Relations systems review was underway at year end with an emphasis on SLGA hiring practices; SLGA conducted Aboriginal Cultural Awareness sessions in Saskatoon and Regina for a further 65 employees; SLGA continues to implement APA and Employment Equity plans, including advertising job opportunities to a wide range of equity agencies, completing a hiring poster for use at SLGA retail locations and expanding the range of communities in the province where SLGA participates in career fairs.

Performance Measurement Results:

Equity Group Employment
This measure depicts the employment status of the four equity groups within SLGA. The measure is an important indicator for evaluating progress

towards achieving a diverse and representative workforce. SLGA has set the Saskatchewan Human Rights Commission's equity group employment targets as a long-term goal. These targets are: 45 per cent of employees at all levels are female; 12.5 per cent are Aboriginal people; 9.7 per cent are persons with disabilities; and, 2.8 per cent are visible minorities.

Actual Results:
SLGA's 2006-07 results for equity group employment are depicted in the table below.

Equity Group Employment	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
Women Overall	56.8%	57.4%	58.5%	60.0%	61.9%
Aboriginal People	5.4%	5.6%	5.2%	5.3%	5.2%
Persons with Disabilities	3.4%	3.6%	4.0%	3.7%	2.7%
Visible Minority Persons	2.2%	2.6%	2.8%	2.9%	2.7%

The multi-year data regarding equity group employment depicts relatively static employment outcomes for the Aboriginal and Visible Minority equity groups. Although the number of women overall has been consistently increasing year over year, women continue to be underrepresented in several professional and management occupations at SLGA. After reaching a peak of four per cent employment in 2004-05, the persons with disabilities category showed a year over year decline of one per cent in 2006-07.

Objective 4: Communication: Effectively communicate our policies, priorities and results both within our organization and to the public.

This objective reflects the importance of communicating SLGA's priorities, policies and programs effectively to the public and stakeholders, as well as to SLGA's own employees. Due to the size of SLGA as an organization, and given the number and diversity of stakeholders, partners and customers in the liquor and gaming sectors in Saskatchewan, effective overall communication is a critical corporate priority. Internal communication with staff is also critical to building a healthy and productive organizational culture that provides employees with consistent messages about SLGA's strategic priorities and their role in achieving those priorities. In 2006-07, SLGA focused on expanding the human resource related content on SLGA's intranet.

2006-07 Key Results:

In 2006-07, SLGA will continue to refine its corporate website (www.slga.gov.sk.ca) by providing more online services and information in the compliance area, as well as refining existing online services for liquor licensing, charitable gaming licensing and registration activity. SLGA is also committed to ensuring that all key internal corporate policies are also posted on the intranet to increase employee understanding, use and consistent application of these policies. (2006-07 Planned Result)

- SLGA website refinement did not occur as it was determined that a complete review of the IT infrastructure (from a business perspective) was the next logical step prior to further refining the public website. Use of SLGA's intranet continued to grow with the publication of the complete Human Resources Manual, as well as core competency information and competency profiles, out-of-scope class plan information and links to proper lifting techniques.

As per the Canadian Comprehensive Auditing Foundation (CCAF) reporting principles, SLGA will continue to refine the annual performance plan and annual report to provide key information that allows the general public and our stakeholders to understand SLGA's risks, operations and processes and, with this information, easily assess SLGA's performance relative to our stated goals and objectives. (2006-07 Planned Result)

- SLGA continues to work with Saskatchewan Finance and the Provincial Auditor's Office to improve reporting information as required.

Performance Measurement Results:

Employee Satisfaction with Internal Communication

The effectiveness of SLGA's internal communication processes and strategies are critical to ensuring SLGA can meet its strategic goals and vision. As part of SLGA's employee satisfaction survey conducted in 2005-06, employees were asked a number of questions about their experiences with SLGA's communication approaches. As well, SLGA's results were measured against a database of other public sector results based on the same survey questions. This allows SLGA to compare itself against other similar corporations. The survey is conducted on a bi-annual basis; therefore, 2005-06 data is presented below. SLGA plans to deliver the survey again in 2007-08.

Employee Satisfaction Measures	2005-06 Result
Communication from higher levels within SLGA	Good: 35% Neutral: 28% Disagreed: 37%
Opportunities to communicate to higher levels within SLGA	Good: 37% Neutral: 31% Disagreed: 32%

Among the favourable responses, SLGA was two percentage points higher than the public sector norm for both of these results. Nevertheless, strengthening internal communications was identified as an area for improvement by the working group assigned to develop an action plan in response to the survey results.

In addition, SLGA is developing performance measures that measure the organization's success in communicating externally. Some of the measures SLGA is considering include: the perceived value and use of SLGA's website; measuring the full extent of SLGA's consultation activity with stakeholders and customers; evaluating the broader public understanding of SLGA's policies; and, measuring the effectiveness of our public performance reporting. Implementation of these activities will occur as resources permit.

Goal 4: Internal Operations
Continually improve our business processes through enhanced productivity, improved internal management systems and through the creativity of all employees.

Objective 1: Improved Business Processes, Productivity and Infrastructure: Streamline our internal business processes and infrastructure in ways that enable our employees and foster continuous improvements in customer service, productivity and cost-effectiveness.

This objective speaks to the importance of ensuring continuous improvement in SLGA's internal operational efficiency and productivity. The objective seeks to align SLGA's key business processes with the achievement of the other key outcomes identified in SLGA's Performance Plan. Operational improvements are very diverse in scope and can include: aligning information systems and technology with key priorities; refining and improving annual planning and budgeting processes; providing meaningful research and policy analysis to decision makers on key issues within the liquor and gaming sectors; making strategic operational investments which improve service and revenue growth; and, seeking efficiencies in the delivery of programs and services.

In 2006-07, no major system changes were implemented; however, work began on an Information Technology (IT) infrastructure review (from a business perspective) that would provide a foundation for future IT development. In addition, development continued on SLGA's Business Continuity and Disaster Recovery strategies.

2006-07 Key Results:

In 2006-07, SLGA will continue to refine, update and implement the Corporate Business Technology Plan, including evaluating existing business applications to ensure SLGA is obtaining full value for the significant systems it has recently implemented. Other areas of activity for 2006-07 include: refining and enhancing existing systems as required; upgrading software applications as needed; ensuring the validity and security of data in all business applications; and, working to ensure a common website navigation is employed among the various business units. (2006-07 Planned Result)

- During the second half of the year, SLGA released a Request For Proposal to select five preferred IT vendors to supply supplementary personnel for operational and project related activities. Once contracts were in place with these suppliers, SLGA solicited resources to begin work on an IT infrastructure (from a business perspective) review that would provide a roadmap for the evolution of the business, data, application and technology architectures.

SLGA will complete the development of a Corporate Business Continuity Planning Framework including finalizing detailed continuity plans for SLGA's primary core businesses. SLGA will also work with Western Canada Lottery Corporation to annually review and make necessary adjustments to the disaster recovery plans for the VLT and central slot operating systems. SLGA has also begun a process, through its Information Systems Steering Committee, to evaluate SLGA's IT disaster recovery priorities and to ensure these priorities are addressed and effectively managed. (2006-07 Planned Result)

- SLGA continued development of its Business Continuity and Disaster Recovery strategies, with a revised completion date of 2007-08.

Evaluate and refine the store strategic planning pilot that was undertaken in 2005-06 and begin to extend implementation to all stores in 2006-07. (2006-07 Planned Result)

- This initiative has been delayed by one year due to significant restructuring of responsibilities that took place at the store regional management level in 2006-07.

Continue to improve the managerial processes designed to identify and manage key corporate risks. Work towards aligning risk management strategies more explicitly with the Corporate Strategic Plan and incorporate more risk analysis into performance reporting. (2006-07 Planned Result)

- Audit Services Branch prepares an annual risk-based audit plan which considers the corporate

risks of the organization and how they impact SLGA in its ability to achieve its goals. In addition, SLGA is a participating agency in a risk management working group coordinated by Saskatchewan Finance. The focus of the working group is to determine current best practices that can be extended to include Executive Government departments in 2008-09.

Continue development and implementation of SLGA's Corporate Security Charter, and provide educational materials to SLGA staff upon completion of the Charter. (2006-07 Planned Result)

- SLGA developed the Corporate Security Charter pertaining to the security of persons as well as physical and IT assets.

Continue to refine and improve the corporate processes and systems that support strategic planning and accountability across the organization. In addition to expanding on key risk considerations and their influence on policy choices and performance expectations, work to expand the financial information provided to improve understanding of the relative importance of specific initiatives and their impact on achieving results. (2006-07 Planned Result)

- SLGA has met current Finance Department and Provincial Auditors' Office (PAO) planning and reporting requirements, but continues to work with the Performance Management Branch of Saskatchewan Finance and the PAO to improve the quality of strategic planning and reporting information.

Performance Measurement Results:

Licensing, Regulating and Support Expenditures as a Per Cent of Revenue

This is an efficiency measure that depicts the overall cost of generating revenue. The measure reflects SLGA's efforts to optimize revenue using the least amount of operational resources. The measure also reflects the expenditures that SLGA requires in order to meet its operational and regulatory roles. The measure is intended to evaluate how well SLGA is doing in terms of improving internal business operations, and how efficiently it uses public resources.

Actual Result:

SLGA's licensing, regulating and support expenses as a percentage of revenue for the year ending March 31, 2007 is 3.7 per cent down from 4.0 per cent in 2005-06. The decline can be attributed to increased revenue and administrative cost savings.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
Licensing, regulating and support expenses as a per cent of revenue	4.0%	3.8%	3.6%	4.0%	3.7%*

*Excludes Charitable Gaming Grant Program introduced in 2006-07 as grant payments are not linked to the overall cost of generating revenue in the licensing and support function of SLGA. In 2006-07, grant payments totalled approximately $5.0 million.

Store Operating Costs as a Percentage of Store Sales

This measure demonstrates SLGA's efforts to maximize liquor store revenues by using the least amount of operational resources. Given the nature of SLGA store costs in terms of labour, supply, capital and equipment costs, the outcome of this measure reflects a high degree of efficiency in terms of keeping costs down as a percentage of revenues.

Actual Results:

Store operating costs as a percentage of store sales were 12.7 per cent for the year ending March 31, 2007.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
Store operating costs as a per cent of store sales	12.6%	12.7%	12.3%	13.0%	12.7%

The retail store system recorded increases in 2006-07 in both sales (as a result of a warm summer and a strong economy) and operating costs; the growth in revenue exceeded the cost

increases resulting in a lower ratio relative to 2005-06.

WCLC Costs as a Per Cent of VLT Revenue
This measure depicts SLGA's efforts to maximize the return on investment from contracting with WCLC to administer the computer systems for the province's VLTs.

Actual Results:
WCLC costs as a percentage of VLT revenue for the year ending March 31, 2007 is calculated at 3.6 per cent.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
WCLC costs as a per cent of VLT revenue	4.4%	3.4%	3.5%	3.7%	3.6%

WCLC costs declined again this year and revenue increased slightly resulting in a reduced percentage. Expenditure savings were realized in salaries, telephone charges and parts and supplies.

SIGA Net Income as a Percentage of SIGA Revenue
This measure shows the relationship between revenues and net income for SIGA.

Actual Results:
SIGA net income as a per cent of revenue is calculated at 37.8 per cent for the year ending March 31, 2007.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
SIGA net income as a per cent of SIGA revenue	33.6%	34.6%	33.7%	34.7%	37.8%

The improvement in SIGA net income as a percentage of revenue has continued to increase since 2004-05 due primarily to an increase in slot machine revenue.

SIGA Slot Costs as a Per Cent of SIGA Slot Revenue
This measure reflects how efficient SIGA is in its slot machine operations. Changes in the results over time can help to determine whether slot machine revenues increase at a faster rate than the costs required to operate the slots.

Actual Results:
In 2006-07 SIGA slot machine costs were 51.9 per cent of SIGA's net slot revenues.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
SIGA slot costs as a per cent of slot revenue	59.6%	57.2%	56.2%	56.1%	51.9%

The historical results for this measure demonstrate that SIGA is making good progress in optimizing slot machine revenue generation based on its use of resources. In 2006-07 the revenue increased more rapidly than the slot costs resulting in a favourable ratio.

[3]SLGA's 2005-06 Performance Plan, which was published with the Provincial Budget in March 2005, incorrectly stated the 2003-04 result for this measure as 39.6 per cent. This was a typographical error and the correct figure is presented in the historical table above.

Goal 5: Financial
Be fiscally responsible and accountable in support of provincial financial objectives.

Objective 1: Financial Management and Accountability: Manage our resources effectively to ensure fiscal responsibility and accountability.

This objective reflects SLGA's commitment to sound financial management and overall financial accountability. An important part of achieving this objective is aligning SLGA's Performance Plan with SLGA's financial planning and budgeting processes.

SLGA has made steady progress in improving its overall accountability for results. SLGA continues to strengthen the alignment between its strategic plan and the annual budget development process.

2006-07 Key Results:

Continue to explore all options to increase net income in a socially responsible manner. However, SLGA notes that significant increases in net income are unlikely to be realized due to natural growth in either the liquor or gaming sectors, but rather must be the outcome of specific policy choices. (2006-07 Planned Result)

- SLGA's net income was $370.3 million for 2006-07. This is an increase of $36.2 million from budget and $18.9 million from 2005-06 actual. This is a result of better than expected revenues at SIGA casinos, increased liquor sales due to a warm summer and strong economy, and administration cost savings across the organization.

Continue to monitor and approve budgets for the Western Canada Lottery Corporation (WCLC). (2006-07 Planned Result)

- SLGA approved the 2007-08 WCLC budgets. Budgets approved for 2007-08 include the VLT, slot and breakopen vending machine operating budgets. As well, SLGA approved the VLT and slot capital budgets. SLGA continues to monitor monthly reporting from WCLC to ensure effective delivery of programs and services.

Continue to monitor and approve budgets for the Saskatchewan Indian Gaming Authority (SIGA). SLGA will review SIGA's 2007-08 budget in the last half of 2006-07. SLGA also monitors monthly reporting from SIGA to help ensure effective delivery of casino operations. (2006-07 Planned Result)

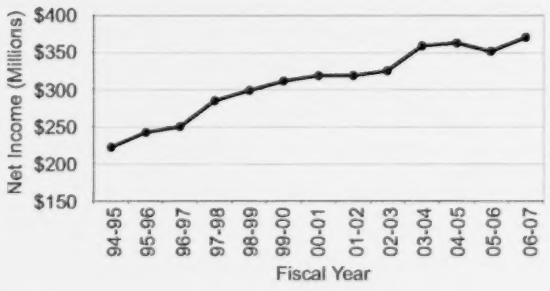
- SLGA approved SIGA's 2007-08 budget in March 2007. Budgets approved for 2007-08 include both the operating and capital budgets for SIGA. SLGA continues to monitor monthly reporting from SIGA against these budgets.

Performance Measurement Results:

SLGA Net Income
SLGA's net income reflects the total net revenue generated by the province's liquor industry and the majority of the commercial gaming industry minus operating expenses, including associated regulatory and compliance costs. This is a critical outcome for SLGA and contributes significantly to meeting the government's revenue needs for the funding of other key programs.

Actual Results:
In 2006-07, net income was $370.3 million, an increase from 2005-06. SLGA's net income increase relative to 2005-06 actual is primarily the result of increased revenues at SIGA casinos and increased liquor sales due to a warm summer and strong economy.

SLGA Net Income: 1994-95 to 2006-07



Historically, SLGA has demonstrated a steady increase in its net income. The decline in 2005-06 was a result of *The Tobacco Control Amendment Act, 2004* and its effects on VLT revenue. In 2006-07, VLTs made a slight recovery from the previous year, but liquor sales and SIGA net income growth were the key factors in the net income increase.

Net Income Percentage Variance from Previous Year

This measure depicts the percentage change in SLGA's net income from the previous year. Notwithstanding factors out of SLGA's control, SLGA is committed to meeting its approved budgets and is committed to ensuring there is a financial return for public funds expended.

Actual Results:

The net income percentage variance from the previous year is an increase of 5.4 per cent.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
Net income per cent variance from previous year	+2.2%	+10.4%	+1.0%	-3.0%	+5.4%

The increase in 2006-07 can be explained by a modest recovery in VLT revenue and strong growth in both liquor sales and SIGA net income.

Marginal Return on Expenses (MRE)

The measure is intended to demonstrate SLGA's overall return on investment for the expenditures it makes. The measure expresses a ratio between the change in net income compared to the change in total operating expenses. Any outcome greater than zero is a positive outcome. This measure reflects the principle that while operating expenses can increase, this growth in expenditures often leads to an increase in net income.

Actual Results:

In 2006-07, SLGA's Marginal Return on Expenses value was +1.60.

Performance Measure	02-03 Result	03-04 Result	04-05 Result	05-06 Result	06-07 Result
Marginal Return on Expenses	+0.89	+1.51	+1.24	-0.80	+1.60

SLGA has regained a positive Marginal Return on Expenses in 2006-07. This indicates a recovery from 2005-06 when SLGA's VLT revenues declined without a corresponding decline in VLT operating costs (site commissions are not included in operating costs and therefore are not factored into this measure).

Management's Report

The accompanying financial statements, and related financial information throughout the Annual Report, have been prepared by management using Canadian generally accepted accounting principles. Management is responsible for the integrity, objectivity and reliability of the financial statements.

Management of the Authority has established and maintains a system of internal controls that provides reasonable assurance that transactions are recorded and executed in compliance with legislation and authority; assets are safeguarded; there is an effective segregation of duties and responsibilities; and, reliable financial records are maintained. An auditing function exists within the Authority, which objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined the Authority's financial statements. The Auditor's Report to the Members of the Legislative Assembly of Saskatchewan expresses an independent opinion on the fairness of presentation of the Authority's financial statements in accordance with Canadian generally accepted accounting principles.

Barry C. Lacey, CA, CMA
President & CEO

Valerie Banilevic, CMA
Director, Financial Services

Regina, Saskatchewan
June 8, 2007

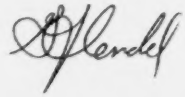
Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Liquor and Gaming Authority as at March 31, 2007 and the statements of operations and retained earnings (deficit), and cash flows for the year then ended. The Authority's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
June 8, 2007

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

LIQUOR AND GAMING AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31

	2007 (000's)	2006 (000's)
ASSETS		
Current assets:		
Cash	$ 1,119	$ 1,419
Due from General Revenue Fund (Note 3)	38,320	39,996
Accounts receivable (Note 7)	35,228	32,412
Prepaid expenses	3,453	3,405
Inventories (Note 5)	20,240	17,123
	98,360	94,355
Property, plant and equipment (Note 6 & 8)	59,212	70,355
	$ 157,572	$ 164,710
LIABILITIES AND RETAINED EARNINGS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 20,522	$ 15,749
Payable to General Revenue Fund (Note 4)	101,093	117,219
Goods and Services Tax payable (Note 8)	1,553	1,614
	123,168	134,582
Accrued pension liability (Note 9)	34,989	30,970
	158,157	165,552
Retained earnings (deficit) (Statement 2)	(585)	(842)
	$ 157,572	$ 164,710

Commitments (Note 11)
Contingencies (Note 17)

(See accompanying notes to the financial statements)

LIQUOR AND GAMING AUTHORITY
STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)
For the Year Ended March 31

	2007		2006
	Budget (000's) (Note 14)	Actual (000's) (Note 15)	Actual (000's)
Revenues:			
Liquor sales (Note 12)	$ 398,085	$ 429,546	$ 400,912
VLT	236,244	233,615	232,581
SIGA slot machines (Note 10)	98,325	122,151	108,162
Licence, permit, and other income	3,103	4,169	3,493
	735,757	789,481	745,148
Less SIGA promotion allowances	3,026	4,243	3,704
	732,731	785,238	741,444
Direct expenses:			
Cost of liquor	197,370	215,407	202,508
VLT site commission (Note 1c) & 11)	35,909	36,604	36,435
	233,279	252,011	238,943
Operating expenses (Schedule 1):			
VLT, liquor, and other gaming	100,011	93,846	86,825
SIGA slot machines	62,797	63,433	58,985
SIGA other (Note 10)	2,502	5,638	5,315
	165,310	162,917	151,125
Net income for the year	$ 334,142	370,310	351,376
Retained earnings (deficit), beginning of year		(842)	(545)
Transfer to General Revenue Fund (Note 4)		(370,053)	(351,673)
Retained earnings (deficit), end of year - to Statement 1		$ (585)	$ (842)

(See accompanying notes to the financial statements)

Statement 3

LIQUOR AND GAMING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2007 (000's)	2006 (000's)
Cash flows provided by (used in) operating activities:		
Cash receipts from liquor sales, VLT, slot machines, and other revenue	$ 809,458	$ 759,963
Interest received	530	297
Payments to suppliers, employees and other	(390,907)	(368,166)
Payments made to grant recipients	(4,595)	(2,029)
Payments of Goods and Services Tax	(18,186)	(20,372)
	396,300	369,693
Cash flows provided by (used in) investing activities:		
Purchase of property, plant and equipment	(12,465)	(10,729)
Disposition of property, plant and equipment	368	82
	(12,097)	(10,647)
Cash flows (used in) financing activities:		
Cash deposited in General Revenue Fund (Note 4)	(386,179)	(362,793)
Net decrease in cash position	(1,976)	(3,747)
Cash position, beginning of year	41,415	45,162
Cash position, end of year	$ 39,439	$ 41,415
Cash position consists of:		
Cash	$ 1,119	$ 1,419
Due from General Revenue Fund	38,320	39,996
	$ 39,439	$ 41,415

(See accompanying notes to the financial statements)

LIQUOR AND GAMING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

1. Description of Business

The Liquor and Gaming Authority (Authority) operates under *The Alcohol and Gaming Regulation Act, 1997.* The Authority's mandate is to support, develop and regulate the Saskatchewan liquor and gaming industries and to maximize public benefit through high quality services and products.

The Authority operates retail liquor stores and video lottery terminals. The Authority conducts and manages the breakopen vending machine program in the Province. It also owns and manages the slot machines at Saskatchewan Indian Gaming Authority's (SIGA) casinos. Revenue from slot machines at SIGA's casinos and related expenses are included in these financial statements.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported value of assets, liabilities, and disclosed contingent liabilities and commitments at the date of the financial statements, and the amounts of revenue and expenses for the year then ended. The most significant estimates are related to the physical and economic lives of capital assets and accrued pension liability. Actual results could differ from those estimations. The significant policies are described below.

(a) Revenue

Liquor Sales

Sales are recorded net of returns, container deposits, Goods and Services Tax, Liquor Consumption Tax and discounts.

Licence Fees

Liquor and gaming licence fees are recorded when the licence is approved. Exhibition casino licence fees are based on the net revenue generated by the exhibition casino. The Authority records these fees as the exhibition casino generates net revenue.

Video Lottery Terminals (VLT)

Revenue is recorded net of prize payouts.

SIGA Slot Machines

Revenues from casino slot machines are recorded net of prizes paid out.

(b) Promotional Allowances

SIGA offers a customer loyalty program to its patrons. As part of the program, club members accumulate points based on amounts wagered and can redeem their points for cash. The cash value of the points accumulated is recorded as a promotional allowance.

(c) VLT Site Commission

Establishments where VLT are located are entitled to commission based on 15% of the VLT revenue earned. The commission is recorded as the VLT revenue is earned.

(d) Inventories

Inventories of wines, coolers, spirits and beer are valued at the lower of average cost and net realizable value.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized commencing in the year which these assets are placed in service on a straight-line basis at rates designed to allocate the cost of these assets over their estimated useful lives. Rates are as follows:

Buildings	2.5 - 20% per annum
Furniture & equipment	15 - 33% per annum
VLT & slot machines	20% per annum
Breakopen vending machines	15 - 33% per annum

Leasehold improvements are amortized over the lesser of the life of the asset or the term of the lease.

(f) Pension Expense

The cost of the pension benefits earned by employees, who are members of the Authority's defined benefit plan (closed to new members since 1977), is determined using the projected benefit method prorated on service. The amount of the expense reflects management's best estimate of the plan's expected investment performance, salary escalation, mortality of members, terminations, and the ages at which members will retire and post retirement increases, based upon the Consumer Price Index, as required by *The Superannuation (Supplementary Provisions) Act*.

The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and the amount of expected benefit payments. Pension plan assets are valued at fair value (market value) for the purposes of calculating the expected return on plan assets. The net actuarial gain (loss), transitional obligation resulting from adoption of new accounting rules in 2001, and plan amendments are amortized beginning in the year they arise over the expected average remaining service life of members of the defined benefit plan.

Employees hired after 1977 are members of a defined contribution pension plan. The Authority expenses contributions it is required to make for current service of those employees. The Authority's liability for these employees is limited to the required employer's contributions.

(g) Grants

Grants are recognized when approved and eligibility criteria, if any, are met.

3. Due from General Revenue Fund

Most of the Authority's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. During the year, the General Revenue Fund did not pay interest on the Authority's bank accounts.

4. Disposition of Retained Earnings

Subsection 182(5) of *The Alcohol and Gaming Regulation Act, 1997* (Act) allows the Authority to provide interest free advances to the Minister of Finance for deposits in the General Revenue Fund (GRF) until the Treasury Board determines the disposition of the Authority's retained earnings. Under subsection 182(1) of the Act, the Treasury Board may, at any time, direct that all or any portion of the Authority's retained earnings be transferred to the GRF. The Treasury Board has directed the Authority to transfer $370,053 (2006 - $351,673) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	2007 (000's)	2006 (000's)
Payable to GRF at beginning of year	$ (117,219)	$ (128,339)
Deposits during the year	386,179	362,793
Transfer to GRF	(370,053)	(351,673)
Payable to GRF at end of year	$ (101,093)	$ (117,219)

5. Inventories

	2007 (000's)	2006 (000's)
Wines, coolers and spirits in stores	$ 8,617	$ 8,239
Wines, coolers and spirits in warehouse	9,748	7,185
Beer in stores	1,875	1,699
	$ 20,240	$ 17,123

6. Property, Plant and Equipment

	2007			2006		
	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)
Land	$ 2,415	$ —	$ 2,415	$ 2,415	$ —	$ 2,415
Buildings	29,480	14,620	14,860	29,867	14,037	15,830
VLT	69,930	55,668	14,262	69,567	42,463	27,104
Slot machines	32,101	18,289	13,812	25,768	16,780	8,988
Furniture & equipment	33,217	20,941	12,276	34,123	19,844	14,279
Breakopen vending machines	2,986	2,984	2	2,995	2,992	3
Leasehold improvements	7,898	6,313	1,585	7,572	5,836	1,736
	$ 178,027	$ 118,815	$ 59,212	$ 172,307	$ 101,952	$ 70,355

7. Accounts Receivable

	2007 (000's)	2006 (000's)
SIGA slot machine receivable	$ 29,869	$ 28,107
VLT receivable	4,131	3,288
Other	1,228	1,017
	$ 35,228	$ 32,412

8. Goods and Services Tax (GST)

The Authority is on the prescribed list of lottery corporations pursuant to Section 188 of the Federal *Excise Tax Act*. In lieu of collecting GST on VLT and slot revenue at the retail level, the Authority calculates and remits GST according to a formula prescribed by the Canada Revenue Agency.

The formula requires the Authority to pay 12% (14% prior to July 1, 2006) on the purchase of taxable goods and services related to gaming programs but only 6% (7% prior to July 1, 2006) on VLT site contractor commissions.

The GST paid on property, plant and equipment for gaming is set up as part of the cost of the asset and is amortized on a straight-line basis over the useful life of the property, plant and equipment.

The Authority also pays GST to the Canada Revenue Agency and claims input tax credits on all its liquor and other taxable purchases.

9. Pension Plan

The Authority sponsors a defined benefit plan and participates in a multi-employer defined contribution plan covering substantially all of its employees. The defined contribution plan is called the Public Employees Pension Plan (PEPP). During the year, the Authority paid PEPP and expensed a total of $1,921,061 (2006 - $1,733,673) in required contributions.

The Liquor Board Superannuation Commission administers the defined benefit plan, Liquor Board Superannuation Plan (Plan), for the Authority. The Plan provides pensions calculated at 2% of a member's average salary for the five years of highest salary, multiplied by the number of years of service to a maximum of 35. This Plan has been closed to new members since 1977.

Eckler Partners Ltd. performed the valuation of the Plan as at September 30, 2005 and extrapolated the valuation to December 31, 2006. The accrued benefit obligation is based on a number of assumptions about future events including: discount rate, salary increases, inflation and retirement indexing. The following significant assumptions were adopted in measuring the accrued benefit obligation:

	2007	2006
Expected long-term rate of return on plan assets	4.75%	4.75%
Discount rate	4.75%	4.75%
Salary increases	3.50%	3.50%
Inflation	2.50%	2.50%
Indexing increases to pensions as % of Consumer Price Index	70%	50%
Expected average remaining service life	4.0 years	4.0 years

A 1% change in the following assumptions would impact the accrued benefit obligation as described below:

Assumption	Impact (% of ending accrued benefit obligation)
Interest	11.9
Salary	0.9
Inflation	3.7

The Authority's pension cost is included in salary, wages, and benefits on Schedule 1.

	2007 (000's)	2006 (000's)
Current service cost - defined benefit plan	$ 599	$ 537
Current service cost - defined contribution plan	1,921	1,734
Interest cost	2,474	2,215
Expected return on pension plan assets	(728)	(694)
Amortization of net transitional obligation	535	535
Amortization of actuarial losses	2,252	1,648
Early retirement benefits	—	3
Net pension cost	$ 7,053	$ 5,978

Information about the Authority's defined benefit plan is as follows:

	2007 (000's)	2006 (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 52,743	$ 47,265
Current service cost - employer	599	537
Current service cost - employee	164	186
Interest cost	2,474	2,215
Benefits paid	(2,837)	(2,695)
Experience loss*	3,374	5,235
Accrued benefit obligation, end of year	$ 56,517	$ 52,743
Plan assets		
Fair value of plan assets, beginning of year	$ 16,099	$ 14,810
Actual return on plan assets	1,681	1,687
Employer contributions	1,126	2,111
Employee contributions	164	186
Benefits paid	(2,837)	(2,695)
Fair value of plan assets, end of year	$ 16,233	$ 16,099
Funded status - plan deficit	$40,284	$36,644
Unamortized transitional obligation	(803)	(1,338)
Unamortized net actuarial losses	(4,492)	(4,336)
Accrued pension liability	$ 34,989	$ 30,970

*In 2007, the experience loss is from a Plan amendment that resulted in past service costs. These costs relate to the legislative amendment to *The Superannuation (Supplementary Provisions) Act*. The amendment requires the Plan to provide retirement indexing based upon 70% of Saskatchewan's consumer price index.

The Plan holds all of its assets in various pooled funds. The Plan's holdings consist of 21.5% (2006 – 22.2%) in a Canadian equity pooled fund, 29.5% (2006 – 29.0%) in foreign equity pooled funds, 43.7% (2006 – 43.4%) in a bond and debenture pooled fund and 5.3% (2006 – 5.4%) in a money market pooled fund.

The forecast of net cash outflows (cash outflows net of cash inflows), for the Plan have been determined using the long-term assumptions noted above and are described below. The cash inflow is the amount of contributions received by the defined benefit plan and the cash outflow is the amount required to pay all pension obligations. The net cash outflows include a 4.75% (2006 – 6%) assumed rate of return on investments.

	Net Cash Outflows (000's)
Next 5 years	$ 545
Next 10 years	$ 3,040
Next 30 years	$ 12,040

10. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

On June 11, 2002, the Province and the Federation of Saskatchewan Indian Nations (FSIN) signed the 2002 Framework Agreement replacing the 1995 Framework Agreement for the purpose of increasing economic and employment opportunities for Aboriginal peoples through casino development within the parameters of *The Criminal Code of Canada*. The 2002 Framework Agreement has a term of 25 years. Similar to its predecessor, the 2002 Framework Agreement requires the Province to retain a portion of the net profits from slot machines in the GRF and distribute the remaining profits to the First Nations Trust, and the Community Development Corporations.

To implement the Framework Agreement, the Authority and SIGA made agreements for casino operations and slot machine management. The Casino Operating Agreement requires SIGA to pay the net profits from slot machines to the Authority. This agreement also ensures the Authority recovers at least the cost of slot machines, the related computer system, and interest over five years.

Under the Casino Operating Agreement between SIGA and the Authority, SIGA is permitted to charge its losses from table games and ancillary operations as an expense of slot machine operations. As well, the Casino Operating Agreement requires SIGA to pay to the Indigenous Gaming Regulators Inc. (IGR) funds equal to IGR's operating budget upon direction from the Authority.

During the year, SIGA charged losses as an expense of slot machine operations, and paid IGR as follows:

	2007 (000's)	2006 (000's)
Table games revenues	$ 4,808	$ 4,869
Table games expenses	5,575	5,771
Net losses from table games	$ 767	$ 902
Ancillary operations revenues	$ 6,290	$ 6,258
Ancillary operations expenses	9,381	8,850
Net losses from ancillary operations	$ 3,091	$ 2,592
Total losses expensed	$ 3,858	$ 3,494
IGR payment	1,780	1,821
	$ 5,638	$ 5,315

11. Commitments

Authority Leases

The Authority, as lessee, is committed to pay under operating leases on leased premises the following minimum amounts in future years:

Year Ending March 31	2007 (000's)	2006 (000's)
2008	$ 3,617	$ 2,426
2009	3,413	2,243
2010	3,210	2,059
2011	2,868	1,717
2012	2,200	1,049
Subsequent years	5,407	3,038
Total	$ 20,715	$ 12,532

Slot Machines

Also, under various amending agreements to the 2002 Framework Agreement, the Authority is committed to supplying the following slot machines to SIGA:

- a total of 550 slot machines for an estimated cost of $11 million upon the opening of the casino at Whitecap Dakota (called Dakota Dunes Casino), of which 40 machines were supplied prior to March 31, 2007.
- A total of 200 slot machines for an estimated cost of $4 million upon the opening of the casino in Swift Current

Pursuant to the Casino Operating Agreement, the Authority recovers the cost of purchasing the slot machines with interest over five years.

SIGA Leases and Sponsorships

Under the Casino Operating Agreement, the Authority allows SIGA to retain money from slot machine revenues to pay approved casino operating expenses, contractual obligations, and commitments. SIGA has obligations under operating leases for buildings, equipment and vehicles. SIGA has also previously committed to providing sponsorship funding to various agencies. The minimum lease payments and commitments for ongoing sponsorships over the next five years are as follows:

Year Ending March 31	Leases (000's)	Sponsorships (000's)
2008	$ 3,349	$ 465
2009	2,752	100
2010	2,630	—
2011	2,616	—
2012	2,616	—
Total	$ 13,963	$ 565

The Casino Operating Agreement requires SIGA to transfer to IGR, beginning in 2004, funds to support IGR's annual operating budget. For 2008, the budgeted transfers are $2.9 million (2007 – $1.8 million).

New Casino Projects

During 2004 and 2005, SIGA entered into three separate agreements with different First Nations for the development and lease of new buildings in which SIGA plans to operate casinos. These agreements also require SIGA to pay certain up-front costs to the developer such as commissioning fees and land development costs. The Authority has approved SIGA's agreements for the Dakota Dunes Casino and a new casino at Swift Current. It has also reviewed a proposal for a replacement casino in Yorkton and has granted approval in principle for this project, pending appropriate financing for the project.

The lease payments for the buildings will be determined based on the developer's direct construction costs, excluding the accumulated up-front costs the developer received from SIGA, multiplied by a set rate of return. The rate of return per year is equal to the long-term Government of Canada bond rate in effect when the lease commences plus 9%. SIGA has agreed to pay at least $1 million and up to 25% of the total building construction costs for Painted Hand in Yorkton and at least $2 million of the total building costs for Swift Current.

The agreements require SIGA to pay an annual amount for leasing the land. The agreements require the lease payments commence on the second month after the building shell has been completed. SIGA has also committed to the following:

- for Dakota Dunes Casino, pay $170,000 annually until June 10, 2027
- for Painted Hand Casino, pay $104,000 annually increasing gradually to $136,628 in the 15th year, thereafter increasing by the change in the consumer price index until June 10, 2027
- for Swift Current casino, pay $128,800 annually increasing gradually to $169,209 in the 15th year, thereafter increasing by the change in the consumer price index until June 10, 2027

In 2006, SIGA made an agreement with a financial institution (Bank) to provide $20 million in bridge financing for the construction of the Dakota Dunes Casino. Subsequent to the year-end, SIGA made a long-term financing agreement with the Bank for $79 million to finance the new casino projects. SIGA has since used a portion of the long-term financing to repay the bridge financing. The long term financing agreement has been approved by the Authority and the corresponding expenses related to this agreement form part of SIGA's approved casino operating expenses.

Saskatoon Prairieland Park Corporation

The Authority has an agreement with the Saskatoon Prairieland Park Corporation (SPPC) regarding the maintenance of a certain level of its income. This agreement expires on the date SIGA opens the Dakota Dunes Casino. In 2007 the Authority provided funding of $1,080,000 (2006 - $1,036,000) to SPPC, which is recorded as part of the VLT site commission expense.

In 2006, SIGA made an agreement with SPPC regarding the maintenance of a certain level of its income. SIGA agreed to pay SPPC $2.6 million annually, subject to certain conditions, for 30 years payable in monthly installments of $216,667. The first monthly installment will be due on the date on which SIGA intends to open the Dakota Dunes Casino to the public.

12. Liquor Sales

	2007 (000's)	2006 (000's)
Wines, coolers and spirits		
In stores:		
- To permittees	$ 45,726	$ 39,849
- To public	151,223	139,186
	196,949	179,035
To franchisees:		
- To permittees	5,678	5,063
- To public	19,288	18,847
	24,966	23,910
	221,915	202,945
Beer		
- To permittees	126,862	121,905
- In stores	73,780	69,673
- To franchisees	6,989	6,389
	207,631	197,967
Total	$ 429,546	$ 400,912

13. Fair Value

Due from General Revenue Fund, accounts receivable, accounts payable, accrued liabilities, and Goods and Services Tax payable are all short-term in nature and as such their fair value approximates carrying value.

Fair value for the payable to the General Revenue Fund can not be determined because of the nature of the account.

The accrued pension liability is long-term in nature and there is no market for settling these pension obligations. Therefore, the determination of the fair value of the pension liability is not practicable.

14. 2007 Budget

These amounts represent the budget approved by Treasury Board.

15. Segmented Information

The Authority operates in four segments - liquor, VLT, slots in SIGA casinos, and other gaming.

The liquor segment reflects the retailing and licensing of beverage alcohol activities within the province.

The VLT segment reflects the operation of the VLT program under the authority of Section 207 of *The Criminal Code of Canada* and *The Alcohol and Gaming Regulation Act, 1997.*

The slots in SIGA casinos segment reflect the operations of slot machines in SIGA casinos. (see Note 10).

The Other Gaming segment reflects the licensing and support of charitable and religious organizations that conduct and manage bingos, casinos, raffles and breakopen ticket sales and the regulation and support of the horse racing industry. The Other Gaming segment also includes the breakopen vending machine program.

The breakopen vending machine operation consists of vending machines capable of dispensing lottery tickets that may have a stipulated prize hidden under a paper covering. On behalf of the Authority, tickets for the breakopen vending machine (breakopen) operation are distributed by Pollard Banknote Limited Partnership. For their services Pollard Banknote Limited Partnership charged the Authority $129,707 (2006 - Pollard Banknote Limited Partnership charged $73,297 and Western Gaming Systems Inc. charged $90,548). The breakopen operation had revenues net of prizes of $0.76 million (2006 - $0.9 million) and expenses (including operating expenses and distributions to charities) of $0.71 million (2006 - $0.8 million) for the year. Included in Other Gaming segment is income of $0.05 million (2006 - $0.1 million) relating to the breakopen operation.

Key amounts by segment as follows:

	SEGMENTS					
	2007 (000's)					2006 (000's)
	LIQUOR	VLT	SLOTS IN SIGA CASINOS	OTHER GAMING	TOTAL	TOTAL
Revenues	$ 429,546	$ 233,615	$ 122,151	$ ---	$ 785,312	$ 741,655
Other Income	2,901	573	---	695	4,169	3,493
Total Revenues	432,447	234,188	122,151	695	789,481	745,148
Promotional Allowances	---	---	4,243	---	4,243	3,704
Direct Expenses	215,407	36,604	---	---	252,011	238,943
Operating expenses	55,574	22,565	69,071	15,707	162,917	151,125
Total Expenses	270,981	59,169	73,314	15,707	419,171	393,772
Net income (loss)	161,466	175,019	48,837	(15,012)	370,310	351,376
Retained earnings (deficit), beginning of year	---	---	(842)	---	(842)	(545)
Transfer to General Revenue Fund	161,466	175,019	48,408	(14,840)	370,053	351,673
Retained earnings (deficit), end of year	$ ---	$ ---	$ (413)	$ (172)	$ (585)	$ (842)
Property, plant and equipment purchases	$ 2,857	$ 703	$ 8,905	$ ---	$ 12,465	$ 10,729
Amortization	$ 4,485	$ 14,121	$ 4,153	$ 570	$ 23,329	$ 22,188

16. Related Parties

These financial statements include transactions with related parties. The Authority is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Authority is related to non-crown enterprises that the Government jointly controls or significantly influences. In addition, for financial reporting purposes, the Authority is considered a related party to SIGA because of its significant influence over SIGA's operations.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. These transactions are as follows:

Category	2007 (000's)	2006 (000's)
Salaries, wages, and fringe benefits	$ 7,831	$ 7,153
Rent, utilities, and insurance	2,959	3,022
Customer service programs	700	655
Communications	415	417
Accounts payable and accrued liabilities	1,907	1,997

In addition, the Authority pays Saskatchewan provincial sales tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Authority collected the following amounts for the Department of Finance:

	2007 (000's)	2006 (000's)
Container deposits on domestic beer sales	$ 21,572	$ 20,089
Liquor Consumption Tax	23,104	21,468
Container deposits on all wine, cooler, spirit and imported beer products	5,535	5,173

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

17. Contingencies

Since SIGA's date of GST registration (March 1, 1999), SIGA and the Authority have determined their respective GST obligations based on rulings from the Canada Revenue Agency (CRA). These rulings classify SIGA as a distributor in accordance with the provisions of the *Excise Tax Act* (ETA) and indicate that SIGA is providing a casino operating service to the Authority consistent with the *Games of Chance Regulations* under the ETA. SIGA has asked CRA to confirm its prior ruling. SIGA and the Authority cannot predict the outcome of this request. The outcome of this request could result in an additional GST liability ranging from $0, should CRA confirm its prior ruling, up to $33 million (2006 - $28 million), should CRA amend its ruling. The Authority plans to account for the effect of the changes, if any, in the year the CRA ruling is received.

As part of ongoing operations the Authority faces legal actions initiated by third parties and contract disputes. At year-end there were actions outstanding against the Authority, which the ultimate outcome is not yet determinable. Settlements arising from the resolution of these actions will be accounted for in the year in which the settlements occur.

18. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division of the Western Canada Lottery Corporation (WCLC) operates the video lottery terminals and central computer system on behalf of the Authority. WCLC provides accounting, purchasing, cash disbursements, human resources, and technical services for the VLT program. WCLC also operates and generally maintains the slot machines and related computer system at the SIGA casinos for the Authority and the breakopen vending machines on behalf of the Authority. For the year ended March 31, 2007, WCLC charged the Authority $11.3 million (2006 - $10.9 million) to operate the VLT, slot machine program and the breakopen vending machines for the year.

19. Comparative Figures

Certain prior year balances have been reclassified to conform with the current year's financial statement presentation.

Schedule 1

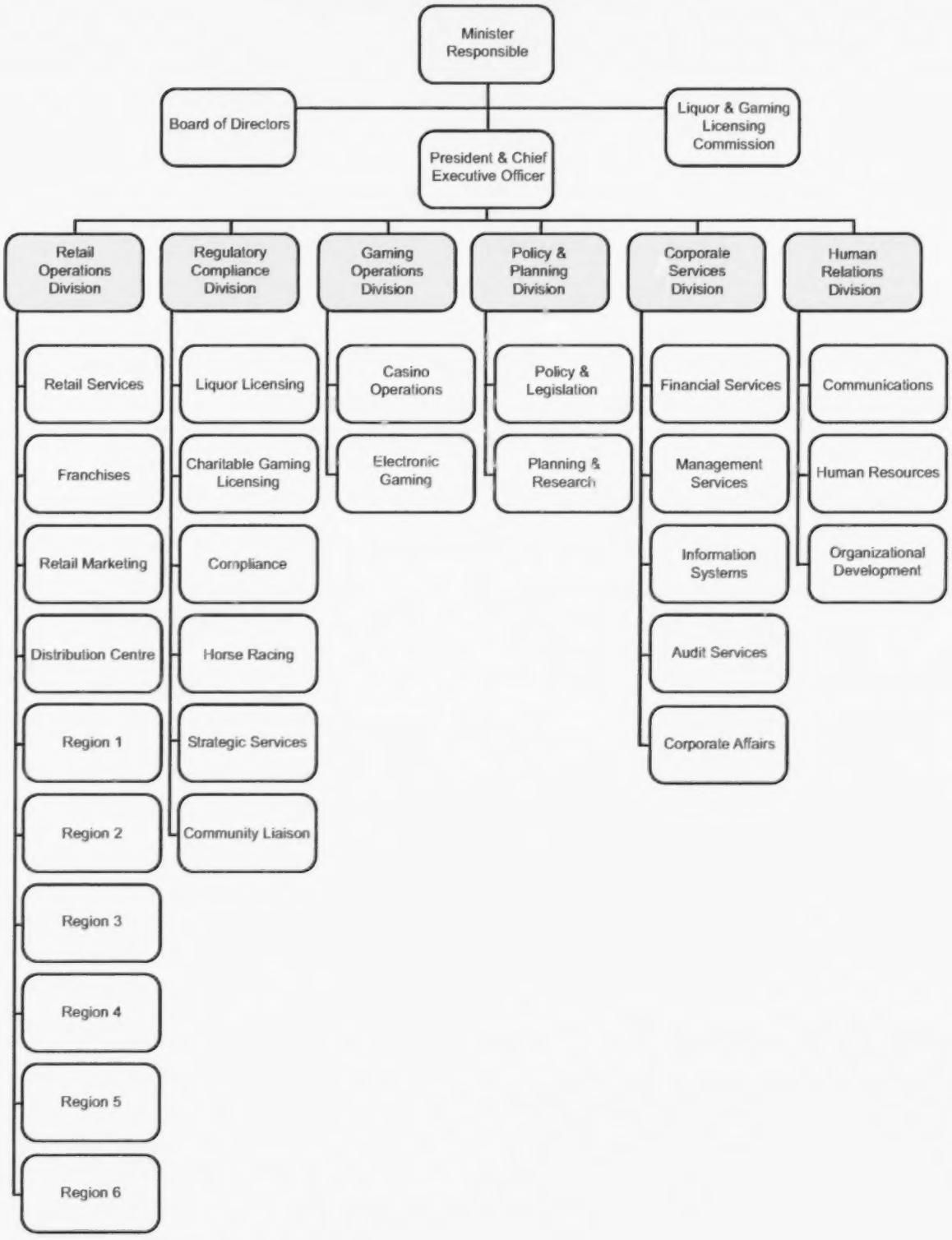
LIQUOR AND GAMING AUTHORITY
SCHEDULE OF OPERATING EXPENSES
For the Year Ended March 31

	VLT, Liquor & Other Gaming		Slots in SIGA Casino*		Total	
	2007 (000's)	2006 (000's)	2007 (000's)	2006 (000's)	2007 (000's)	2006 (000's)
Salaries, wages and benefits	$ 42,407	$ 39,877	$ 27,892	$ 28,813	$ 70,299	$ 68,690
Property, plant and equipment amortization	19,176	19,280	4,153	2,908	23,329	22,188
Rent, utilities and insurance	6,745	6,171	5,128	5,232	11,873	11,403
Professional and contractual services	6,462	7,028	4,653	3,499	11,115	10,527
Operations and maintenance	1,242	1,080	7,200	6,847	8,442	7,927
Advertising, printing, and promotion	80	75	8,293	6,568	8,373	6,643
Grants (Note 2g)	7,240	2,154	—	—	7,240	2,154
Goods and Services Tax	2,308	2,613	2,611	1,710	4,919	4,323
Stationery and supplies	1,158	1,376	1,271	1,033	2,429	2,409
Debit/credit charges	1,877	1,423	—	—	1,877	1,423
Travel and business	1,181	1,373	692	804	1,873	2,177
Communications	1,162	1,265	533	581	1,695	1,846
Information technology	987	1,271	—	—	987	1,271
Sundry	438	498	502	447	940	945
Customer service programs	828	811	—	—	828	811
Service charges and interest	505	464	150	192	655	656
Honoraria and related expenses	50	66	355	351	405	417
Indigenous Gaming Regulators (Note 10)	—	—	1,780	1,821	1,780	1,821
SIGA table and ancillary operation losses (Note 10)	—	—	3,858	3,494	3,858	3,494
	$ 93,846	$ 86,825	$ 69,071	$ 64,300	$ 162,917	$ 151,125

* Represents operating costs of SIGA Casinos.

Appendix A

SLGA Organizational Chart



Appendix B

Summary of SLGA's Partners and Stakeholders

Bingo Charity Associations and **Individual Non-Profit Groups**. Charity associations and individual non-profit groups are the traditional beneficiaries of the gaming industry.

Brewers of Canada. Represents the breweries as well as several microbreweries. www.brewers.ca

Canadian Restaurant and Foodservices Association (CRFA) (Saskatchewan Division). The CRFA has approximately 600 members in Saskatchewan including both licensed and non-licensed establishments. www.crfa.ca

Canadian Vintners Association. This is a national association dedicated to the promotion and well being of Canada's wine sector. www.canadianvintners.com

Canadian Centre on Substance Abuse (CCSA). The Canadian Centre on Substance Abuse is Canada's national addictions agency. Its mission is to provide objective, evidence-based information and advice that will help reduce the health, social and economic harm associated with substance abuse and addictions. www.ccsa.ca

Federation of Saskatchewan Indian Nations (FSIN). The FSIN represents 74 of Saskatchewan's First Nations. SLGA works with the FSIN in implementing the terms of the Gaming Framework Agreement. www.fsin.com

Horse Racing Saskatchewan (HRS). This interest group is comprised of a number of racing associations and organizations that host horse racing events including Horse Racing Saskatchewan, the Saskatchewan First Nations Racing Association, Saskatchewan Speed Horse Association, Saskatchewan Standardbred Horsemen's Association, Horsemen's Benevolent and Protective Association of Saskatchewan and the Canadian Thoroughbred Horse Society.

Indigenous Gaming Regulators (IGR). IGR is building capacity to perform regulatory and licensing functions for First Nations gaming. IGR was expected to begin issuing licences April 1, 2007. www.igr.ca

Non-Profit Clubs. Consists of ethnic associations, service clubs, veteran organizations and sporting clubs (including golf and curling) that have a permanent facility/clubhouse and a special use permit (as opposed to those groups who use special occasion permits and may or may not have a permanent location).

Pollard Banknote Limited. Pollard Banknote is Saskatchewan's sole source for breakopen gaming tickets. www.pollardbanknote.com

Responsible Gambling Council (RGC). The RGC is a non-profit organization that works with individuals and communities to address gambling in a healthy and responsible way. The Council undertakes research and public awareness programs designed to prevent gambling-related problems. www.responsiblegambling.org

Saskatchewan Government and General Employees Union (SGEU). Ninety per cent of SLGA employees are unionized and represented by SGEU. www.sgeu.org

Saskatchewan Hotel and Hospitality Association (SHHA). Established in 1932, approximately 475 hotels and motels belong to SHHA. They represent both hotel owners and operators in urban areas and rural communities. www.hotelsofsask.com

Saskatchewan Indian Gaming Authority (SIGA). SIGA operates the province's four First Nations casinos on behalf of the FSIN. SIGA has obtained approval to open two additional casinos at the Whitecap Dakota First Nation and in Swift Current. These casinos are expected to be operational in 2007-08 and 2008-09 respectively. www.siga.sk.ca

Saskatchewan Responsible Gaming Association (SRGA). Founded in 2001, the SRGA is a non-profit organization whose purpose is to bring together gaming industry stakeholders to promote and advance responsible gaming initiatives. www.saskresponsiblegaming.com

Saskatchewan Liquor Vendors Association (SLVA). SLVA represents all of the rural franchises. Franchises are licensed by SLGA to sell beverage alcohol in rural and remote communities across the province.

Spirits Canada. Spirits Canada is the national trade association of Canadian manufacturers and marketers of distilled spirit products including Canadian whisky, rum, vodka, gin, liqueurs and coolers. www.canadiandistillers.com

Saskatchewan Wine and Spirits Association (SWSA). SWSA is a provincial association dedicated to the promotion of wine and spirits within the provincial liquor industry.

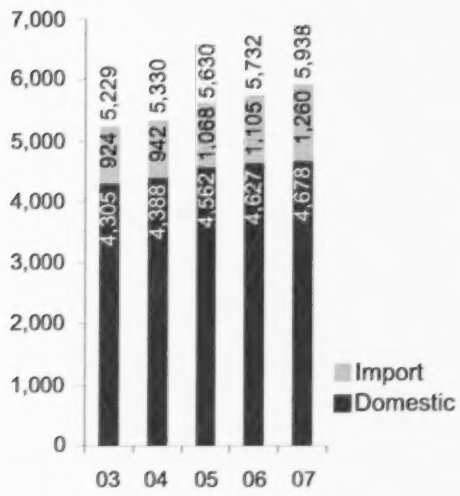
Western Canada Lottery Corporation (WCLC). WCLC is a non-profit organization authorized to operate lottery and gaming-related activities as agent for SLGA. www.wclc.com

Appendix C

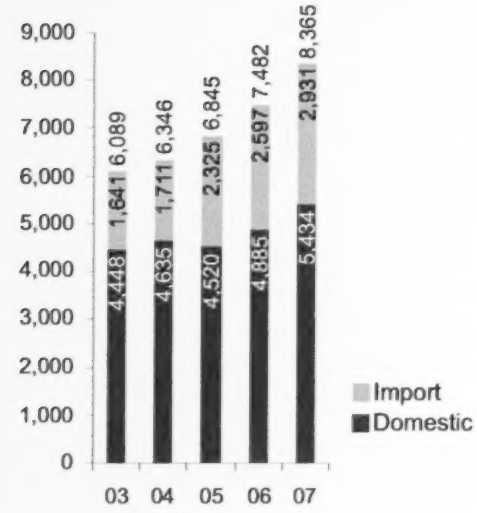
Volume of Sales - Five Year History

Financial years ending March 31

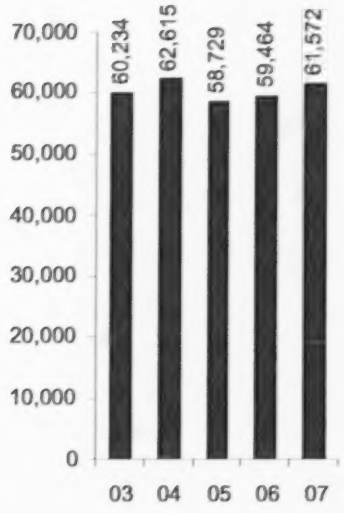
Spirits (000s of litres)



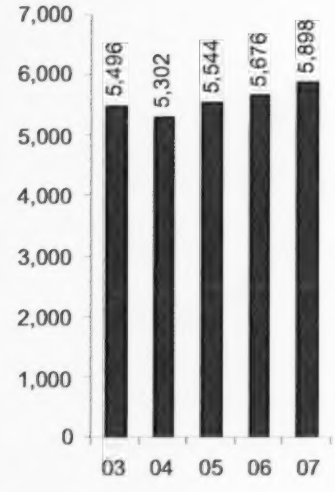
Wine and Coolers (000s of litres)



Beer (000s of litres)



Absolute Alcohol (000s of litres)

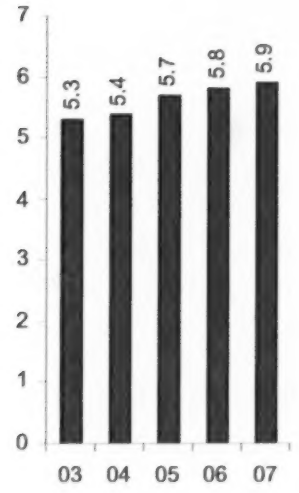


Appendix D

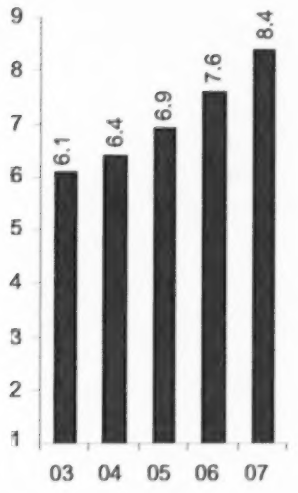
Per Capita Sales - Five Year History

Financial years ending March 31

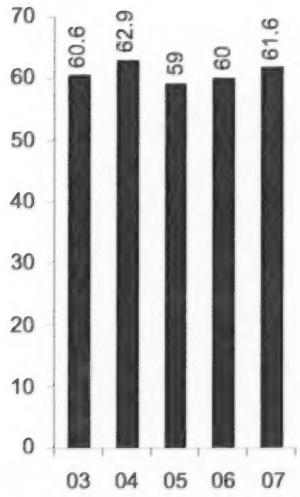
Spirits (litres)



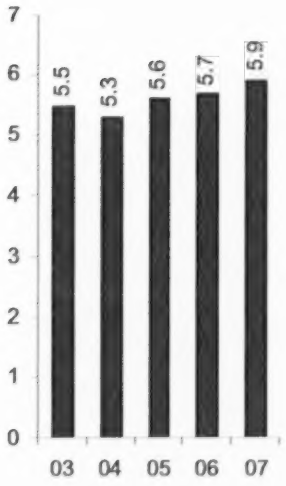
Wine and coolers (litres)



Beer (litres)



Absolute Alcohol (litres)



Appendix E

Saskatchewan Liquor and Gaming Licensing Commission

The Saskatchewan Liquor and Gaming Licensing Commission (SLGLC) is an independent body, which reviews decisions of the Saskatchewan Liquor and Gaming Authority (SLGA) with respect to licensing, registration, cancellation and suspension issues. As of June 1, 2006, in accordance with Section 31 and 47.3 of *The Alcohol and Gaming Regulation Act, 1997* the Commission also reviews decisions of the Saskatchewan Indian Gaming Authority (SIGA) and the Saskatchewan Gaming Corporation (SGC) respecting casinos operated under their jurisdictions. These cases are commonly referred to as "casino bans." The Commission's primary role is serving as an independent and fair quasi-judicial appellate body mandated to ensure proper application of the legislation and regulations governing the industries over which it has jurisdiction, while ensuring the fairness and integrity of those industries. Any licensing party who disagrees with a decision of SLGA has the right to apply to the Commission for an appeal. Except in unusual circumstances, the Commission stays the SLGA's decision until the appeal is heard.

During 2006-07, the Commission scheduled 24 hearings to address the same number of requests for review of various decisions made by SLGA, SIGA and SGC and to hear objections by the public. In order to accommodate the public, hearings are scheduled whenever possible at the nearest major centre in the province to the cause of action. Sixteen hearings were held in Regina, and eight hearings were held in Saskatoon.

The applications have included reviews of SLGA's decisions to grant and refuse liquor permits and gaming licences, to review casino bans, both involuntary and voluntary handed down by SIGA and SGC and to review an interference issue in contravention of the Rules of Racing in the horse racing industry. As well, the Commission hears registration, cancellation and suspension issues, in addition to objections by the public to the granting of permits. The Commission may decline to hear objections to liquor applications that are competition-based, frivolous or vexatious.

Of the 24 hearings held during the past fiscal year, eight were liquor related, comprised of one objection hearing by the public and seven hearings for assessments of penalties and suspensions. Ten hearings were gaming related, comprised of denials, suspensions and cancellations of gaming employee registration certificates; one suspension of a Class "A" license, one raffle licence denial, one special occasion permit denial, one Class "C" licence denial, one Class "A" licence denial, three cancellations of certificates of registration and two denials of certificates of registration. There was one hearing held with respect to horse racing, involving violations of the horse racing rules, which resulted in a fine. There were four involuntary self-ban reviews and one voluntary self-ban in regard to casinos. The Commission was obliged to hear all voluntary bans that were put in place prior to June 1, 2006 in keeping with a commitment made by SLGA. Other voluntary bans enforced after June 1, 2006 are not heard by the Commission.

The Commission provides written reasons for its review on the merits of all matters it hears. These written decisions are a matter of public record, and are maintained in the office of the Commission Registrar.

Commission members as of March 31, 2007:

Colleen L. Wilson, LL.B., Chairperson, Saskatoon
Allan Oliver, Vice-Chairperson, Aneroid
Elaine Driver, Member, Fillmore
Gilbert Pelletier, Member, Yorkton
Bill Nelson, Member, Regina
Dion Tchorzewski, Member, Regina
Dennis Zerr, Member, Moose Jaw

The Commission also has a part-time Registrar.

Since 1997, the Commission has initiated procedural changes and is constantly developing its own policies to continue to ensure equitable treatment of all parties appearing before it. The Commission also makes written recommendations to SLGA regarding any significant regulatory issues that come to its attention through contact with the industries within its jurisdiction. It also continues to stay up-to-date in the changing environment of administrative law and the industries it regulates through its own research.

Appendix F

SLGA Fact Sheet: 2006-07 Results at a Glance

Financial	
SLGA net income	$370.3 million
SIGA net income	$48.8 million
Total gross liquor sales	$429.5 million
Liquor net income	$161.5 million
VLT net income	$175.0 million
VLT site commission	$36.6 million
Franchise commission	$5.2 million
Off-sale permittee beer discount	$8.6 million
Structure and Organization	
Number of SLGA employees	962
Number of retail liquor stores	80
Number of communities with SLGA stores	64
Number of off-sale outlets	475
Number of liquor franchises	189
Total number of liquor outlets	745
Number of liquor products listed by SLGA	2,212
Number of casinos	7
Number of slot machines in SIGA casinos	1,120
Number of slot machines in SGC casinos	995
Number of VLTs	3,929
Number of communities with VLTs	312
Number of VLT sites	669
Compliance and Licensing	
Number of commercial liquor permittees	1,691
Number of special occasion permits issued	16,233
Number of investigations	2,543
Number of inspections	4,264
Number of sanctions (liquor, gaming and horse racing)	208
Number of registered gaming employees	2,669
Number of registered gaming suppliers	92
Charitable Gaming and Horse Racing	
Total gross bingo sales (before prizes awarded)	$69.0 million
Total gross raffle sales (before prizes awarded)	$2.0 million
Total gross breakopen sales (before prizes)	$13.5 million
Total gross Texas Hold'em and Monte Carlo event sales	$355,530
Total charity share (bingo, raffle, breakopen, Texas Hold'em & Monte Carlo)	$24.7 million
Number of bingo halls	17
Total number of bingo, raffle, breakopen, Texas Hold'em & Monte Carlo licences	3,606
Total grants paid to charitable gaming licencees	$5 million
Total provincial handle (all wagers)	$11.12 million
Total grants paid to the horse racing industry	$1.5 million
Tracks receiving grant support from the province	3

All data as of March 31, 2007

Where To Obtain Additional Information

If you have any questions or comments about SLGA's Annual Report, or if you have specific questions about the programs and services provided by SLGA, please contact:

Saskatchewan Liquor and Gaming Authority
P.O. Box 5054
2500 Victoria Avenue
Regina, SK, S4P 3M3
www.slga.gov.sk.ca
(306)787-4214